

**CITY OF BAY VILLAGE, OHIO**

**BASIC  
FINANCIAL STATEMENTS**

*FOR THE YEAR ENDED  
DECEMBER 31, 2011*

**STEVEN PRESLEY, FINANCE DIRECTOR**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Bay Village, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 12, 2012

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# City of Bay Village, Ohio

For The Year Ended December 31, 2011

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## Independent Auditor's Report

Members of the City Council  
Bay Village, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay Village, Ohio (the "City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*.

Members of the City Council  
Bay Village, Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
May 31, 2012

## CITY OF BAY VILLAGE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

The management's discussion and analysis of the City of Bay Village's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **Financial Highlights**

Key financial highlights for 2011 are as follows:

- The total net assets of the City decreased \$554,030. Net assets of governmental activities decreased \$572,414 or 2.14% below 2010 and net assets of business-type activities increased \$18,384 or 0.16% above 2010.
- General revenues accounted for \$13,945,403 of total governmental activities revenue. Program specific revenues accounted for \$3,409,160 or 19.64% of total governmental activities revenue.
- The City had \$16,763,757 in expenses related to governmental activities; \$3,409,160 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$13,354,597 were offset by general revenues (primarily property taxes, municipal income taxes and unrestricted grants and entitlements) of \$13,945,403.
- The general fund had revenues of \$11,392,797 in 2011. This represents a decrease of \$72,135 from 2010. The expenditures and other financing uses of the general fund, which totaled \$12,037,157 in 2011, increased \$174,991 from 2010. The net decrease in fund balance for the general fund was \$644,360 or 24.59%.
- The general obligation bond retirement fund had revenues and other financing sources of \$3,876,750 in 2011. The expenditures and other financing uses of the general obligation bond retirement fund totaled \$1,991,935 in 2011. The net increase in fund balance for the general obligation bond retirement fund was \$1,884,815 or 75.20%.
- The Bradley Road fund had \$1,093,170 in expenditures in 2011. The Bradley Road fund had a fund deficit of \$1,093,170 at year end.
- The infrastructure improvement fund had other uses of \$930,000 during the year. The infrastructure improvement fund had a fund balance of \$2,754,549 at year end.
- Net assets for the business-type activities, which are made up of the sewer and swimming pool enterprise funds, increased in 2011 by \$18,384.
- The sewer enterprise fund had operating revenues of \$1,547,041 and operating expenses of \$2,307,885. The sewer fund had \$328,634 in non-operating expenses and transfers in of \$891,000 and capital contributions of \$272,220. Net assets of the sewer fund increased \$73,742 or 0.78%.
- The swimming pool enterprise fund had operating revenues of \$337,207 and operating expenses of \$419,458. The net assets of the swimming pool fund decreased \$82,251 or 4.09%.
- In the general fund, the actual revenues came in \$235,505 higher than they were in the final budget and actual expenditures and other financing uses were \$147,672 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$358,820 from the original to the final budget. Budgeted revenues were decreased \$953,266 from the original to the final budget.



## CITY OF BAY VILLAGE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

#### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

#### **Reporting the City as a Whole**

##### *Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire, street maintenance, capital improvements and general administration. These services are funded primarily by property and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer and swimming pool operations are reported here.

#### **Reporting the City's Most Significant Funds**

##### *Fund Financial Statements*

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

## CITY OF BAY VILLAGE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, general obligation bond retirement fund, the Bradley Road fund and infrastructure improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-27 of this report.

#### ***Proprietary Funds***

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and swimming pool operations. Both of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 28-31 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 32 of this report.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-70 of this report.

## CITY OF BAY VILLAGE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

#### Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets at December 31, 2011 compared to 2010. The restricted and unrestricted net assets at December 31, 2010 have been restated to conform to 2011's presentation related to GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

	<b>Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>Restated 2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Assets</u>						
Current and other assets	\$ 22,005,111	\$ 22,567,511	\$ 5,169,220	\$ 5,119,158	\$ 27,174,331	\$ 27,686,669
Capital assets, net	<u>22,326,392</u>	<u>22,802,753</u>	<u>6,881,074</u>	<u>6,921,524</u>	<u>29,207,466</u>	<u>29,724,277</u>
Total assets	<u>44,331,503</u>	<u>45,370,264</u>	<u>12,050,294</u>	<u>12,040,682</u>	<u>56,381,797</u>	<u>57,410,946</u>
<u>Liabilities</u>						
Current and other liabilities	8,256,876	9,034,524	133,676	56,326	8,390,552	9,090,850
Long-term liabilities:						
Due within one year	1,637,668	1,784,915	132,087	131,064	1,769,755	1,915,979
Due in more than one year	<u>8,267,435</u>	<u>7,808,887</u>	<u>381,732</u>	<u>468,877</u>	<u>8,649,167</u>	<u>8,277,764</u>
Total liabilities	<u>18,161,979</u>	<u>18,628,326</u>	<u>647,495</u>	<u>656,267</u>	<u>18,809,474</u>	<u>19,284,593</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	13,773,765	14,537,451	6,475,012	6,431,455	20,248,777	20,968,906
Restricted for:						
Capital projects	14,453	14,797	-	-	14,453	14,797
Debt service	19,104	19,104	-	-	19,104	19,104
Other purposes	410,354	514,976	-	-	410,354	514,976
Unrestricted	<u>11,951,848</u>	<u>11,655,610</u>	<u>4,927,787</u>	<u>4,952,960</u>	<u>16,879,635</u>	<u>16,608,570</u>
Total net assets	<u>\$ 26,169,524</u>	<u>\$ 26,741,938</u>	<u>\$ 11,402,799</u>	<u>\$ 11,384,415</u>	<u>\$ 37,572,323</u>	<u>\$ 38,126,353</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$37,572,323. At year-end, net assets were \$26,169,524 and \$11,402,799 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 51.80% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$13,773,765 and \$6,475,012 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$443,911, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$11,951,848 may be used to meet the government's ongoing obligations to citizens and creditors.

## CITY OF BAY VILLAGE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

The table below shows the comparative analysis of changes in net assets for 2011 compared to 2010.

	<b>Change in Net Assets</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,382,023	\$ 1,527,096	\$ 1,883,168	\$ 1,786,118	\$ 3,265,191	\$ 3,313,214
Operating grants and contributions	762,219	835,587	-	-	762,219	835,587
Capital grants and contributions	1,264,918	789,313	-	-	1,264,918	789,313
Total program revenues	<u>3,409,160</u>	<u>3,151,996</u>	<u>1,883,168</u>	<u>1,786,118</u>	<u>5,292,328</u>	<u>4,938,114</u>
General revenues:						
Property taxes	6,196,506	6,426,962	-	-	6,196,506	6,426,962
Income taxes	5,320,846	5,155,251	-	-	5,320,846	5,155,251
Grants and entitlements	2,247,736	2,179,556	-	-	2,247,736	2,179,556
Investment earnings	104,429	59,354	-	-	104,429	59,354
Other	75,886	35,227	1,080	8,499	76,966	43,726
Total general revenues	<u>13,945,403</u>	<u>13,856,350</u>	<u>1,080</u>	<u>8,499</u>	<u>13,946,483</u>	<u>13,864,849</u>
Total revenues	<u>17,354,563</u>	<u>17,008,346</u>	<u>1,884,248</u>	<u>1,794,617</u>	<u>19,238,811</u>	<u>18,802,963</u>
<b>Expenses:</b>						
General government	2,788,614	2,927,731	-	-	2,788,614	2,927,731
Security of persons and property	6,816,628	7,051,858	-	-	6,816,628	7,051,858
Public health and welfare	400,825	445,812	-	-	400,825	445,812
Transportation	2,824,832	2,122,109	-	-	2,824,832	2,122,109
Community environment	670,741	857,466	-	-	670,741	857,466
Leisure time activity	957,931	917,703	-	-	957,931	917,703
Basic utility	1,859,129	1,598,347	-	-	1,859,129	1,598,347
Interest and fiscal charges	445,057	434,811	-	-	445,057	434,811
Sewer	-	-	2,611,305	1,951,139	2,611,305	1,951,139
Swimming pool	-	-	417,779	432,495	417,779	432,495
Total expenses	<u>16,763,757</u>	<u>16,355,837</u>	<u>3,029,084</u>	<u>2,383,634</u>	<u>19,792,841</u>	<u>18,739,471</u>
<b>Special Items and extraordinary items:</b>						
Court settlements	-	470,000	-	-	-	470,000
Estate tax refunds	-	(1,353,266)	-	-	-	(1,353,266)
Impairment gain	-	95,314	-	-	-	95,314
Transfers	<u>(1,163,220)</u>	<u>(174,653)</u>	<u>1,163,220</u>	<u>174,653</u>	<u>-</u>	<u>-</u>
Change in net assets	(572,414)	(310,096)	18,384	(414,364)	(554,030)	(724,460)
Net assets at beginning of year	<u>26,741,938</u>	<u>27,052,034</u>	<u>11,384,415</u>	<u>11,798,779</u>	<u>38,126,353</u>	<u>38,850,813</u>
Net assets at end of year	<u>\$ 26,169,524</u>	<u>\$ 26,741,938</u>	<u>\$ 11,402,799</u>	<u>\$ 11,384,415</u>	<u>\$ 37,572,323</u>	<u>\$ 38,126,353</u>

## CITY OF BAY VILLAGE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

#### Governmental Activities

Governmental activities net assets decreased \$572,414 in 2011.

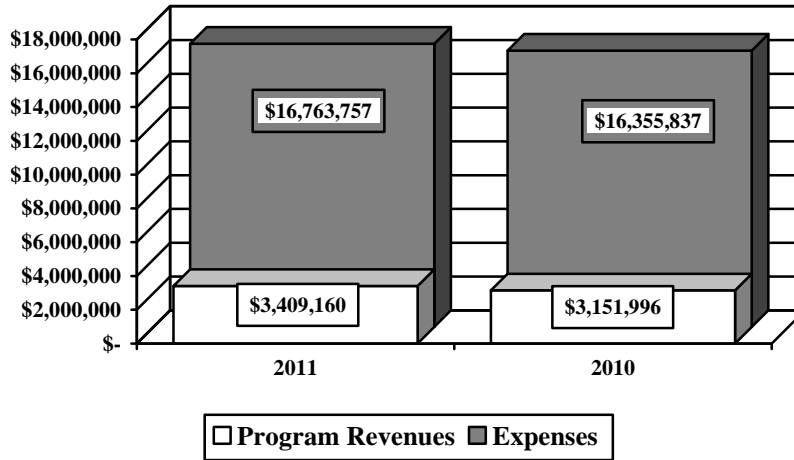
Security of persons and property, which includes police and fire department operations, accounted for \$6,816,628 or 40.66% of the total expenses of the City. Security of persons and property expenses were partially funded by \$115,197 in direct charges to users of the services. General government expenses totaled \$2,788,614. General government expenses were partially funded by \$753,040 in direct charges to users of the services. Transportation expenses totaled \$2,824,832. The increase in transportation expenses can be attributed to non-capitalized Bradley Road costs that belong to the City of Westlake.

The state and federal government contributed to the City a total of \$762,219 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of this total, \$714,342 subsidized transportation programs.

General revenues totaled \$13,945,403, and amounted to 80.36% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$11,517,352, as well as grants and entitlements not restricted to specific programs, including local government, making up \$2,247,736.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The graph below shows total governmental expenses and the portion of those expenses offset by program revenues:

**Governmental Activities – Program Revenues vs. Total Expenses**



**CITY OF BAY VILLAGE, OHIO**

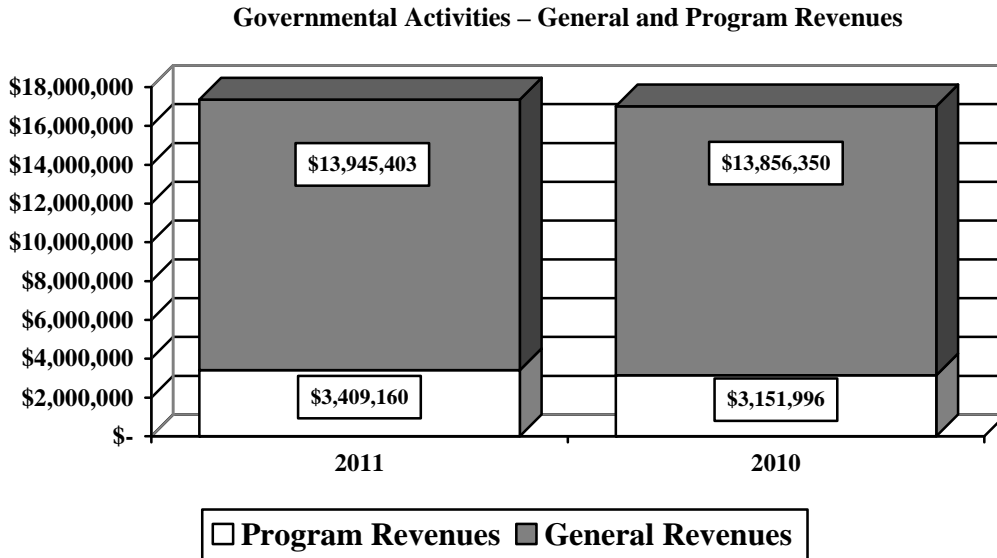
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements for 2011 compared to 2010.

	<b>Governmental Activities</b>			
	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 2,788,614	\$ 2,034,680	\$ 2,927,731	\$ 2,206,651
Security of persons and property	6,816,628	6,674,794	7,051,858	6,964,100
Public health and welfare	400,825	391,902	445,812	433,797
Transportation	2,824,832	843,288	2,122,109	578,868
Community environment	670,741	376,393	857,466	303,278
Leisure time activities	957,931	729,695	917,703	683,989
Basic utility services	1,859,129	1,858,788	1,598,347	1,598,347
Interest and fiscal charges	445,057	445,057	434,811	434,811
<b>Total Expenses</b>	<b>\$ 16,763,757</b>	<b>\$ 13,354,597</b>	<b>\$ 16,355,837</b>	<b>\$ 13,203,841</b>

The dependence upon general revenues for governmental activities is apparent, with 79.66% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's program revenues versus general revenues for 2011 and 2010.



**Business-type Activities**

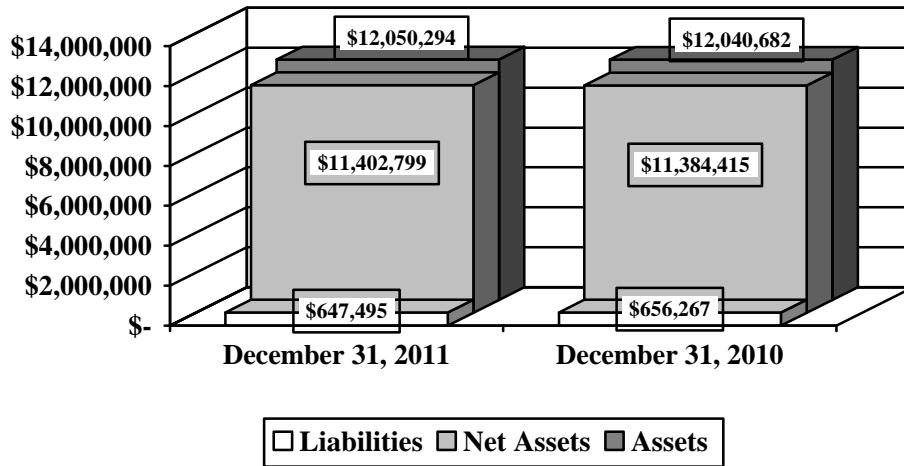
Business-type activities include the sewer and swimming pool enterprise funds. These programs had program revenues of \$1,883,168, general revenues of \$1,080, transfers in of \$1,163,220 and expenses of \$3,029,084 for 2011.

**CITY OF BAY VILLAGE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business – Type Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$9,903,397 which is \$1,431,231 lower than last year's total of \$11,334,628. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and non-major governmental funds. Fund balances at December 31, 2010 have been restated as described in Note 3.B.

	Fund Balances (Deficits) 12/31/11	Restated Fund Balances 12/31/10	Increase/ (Decrease)
Major funds:			
General	\$ 1,975,635	\$ 2,619,995	\$ (644,360)
General obligation bond retirement	4,391,289	2,506,474	1,884,815
Bradley Road	(1,093,170)	-	(1,093,170)
Infrastructure improvements	2,754,549	3,684,549	(930,000)
Other nonmajor governmental funds	1,875,094	2,523,610	(648,516)
Total	<u>\$ 9,903,397</u>	<u>\$ 11,334,628</u>	<u>\$ (1,431,231)</u>

**CITY OF BAY VILLAGE, OHIO**

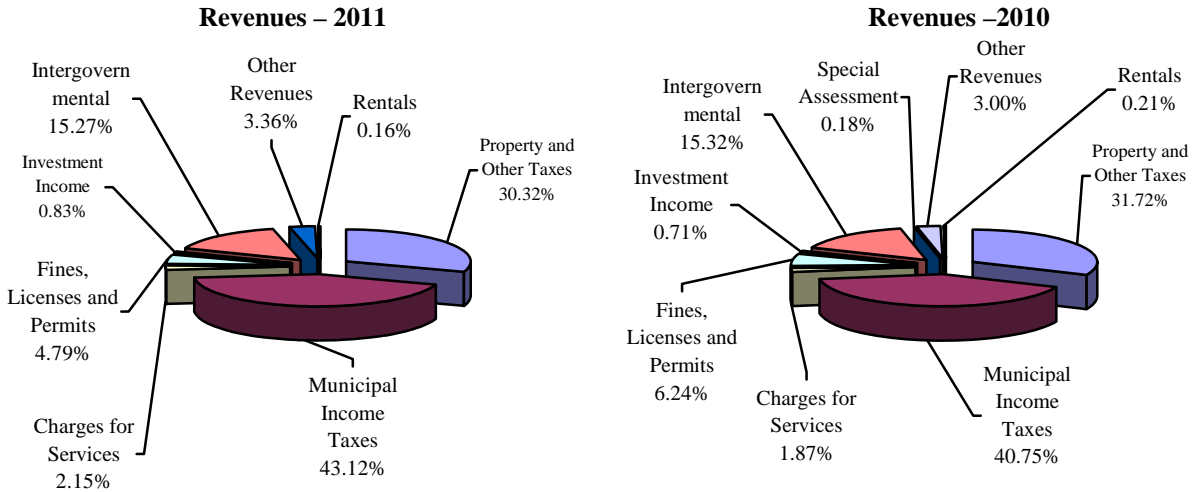
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**General Fund**

The City's general fund balance decreased \$644,360. The table that follows assists in illustrating the revenues of the general fund.

	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>				
Municipal income taxes	\$ 4,912,030	\$ 4,672,462	\$ 239,568	5.13 %
Property and other taxes	3,454,293	3,636,944	(182,651)	(5.02) %
Charges for services	244,658	214,439	30,219	14.09 %
Fines, licenses and permits	546,090	715,137	(169,047)	(23.64) %
Intergovernmental	1,740,178	1,756,760	(16,582)	(0.94) %
Special assessments	-	20,613	(20,613)	(100.00) %
Investment income	94,596	81,131	13,465	16.60 %
Rentals	18,375	23,805	(5,430)	(22.81) %
Contributions and donations	11,736	7,738	3,998	100.00 %
Miscellaneous	370,841	335,903	34,938	10.40 %
<b>Total</b>	<b><u>\$ 11,392,797</u></b>	<b><u>\$ 11,464,932</u></b>	<b><u>\$ (72,135)</u></b>	<b><u>(0.63) %</u></b>

Revenue of the general fund decreased \$72,135 or 0.63%. Tax revenue (income tax, property and other taxes) represents 73.44% of all general fund revenue. Tax revenue increased \$56,917 over prior year. This increase is primarily due to better than expected income tax revenues. The decrease in fines, licenses and permits of \$169,047 is due to decreased building permits in the City. Investment income increased \$13,465 due to an increase in interest rates earned on the City's investments compared to 2010.





**CITY OF BAY VILLAGE, OHIO**

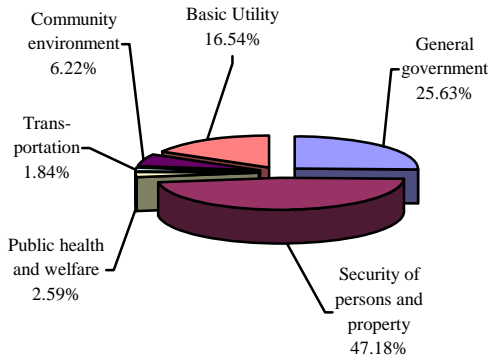
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

The table that follows assists in illustrating the expenditures of the general fund.

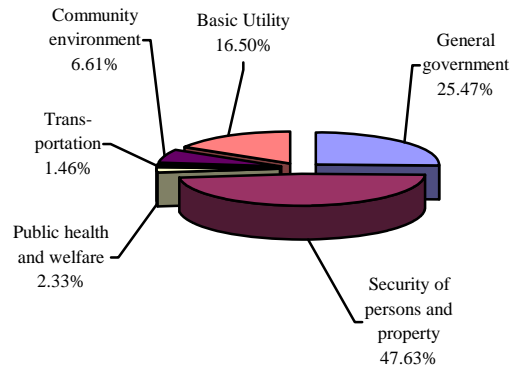
	<u>2011 Amount</u>	<u>2010 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>				
General government	\$ 2,804,560	\$ 2,752,179	\$ 52,381	1.90 %
Security of persons and property	5,164,502	5,146,830	17,672	0.34 %
Public health and welfare	283,324	251,421	31,903	12.69 %
Transportation	200,962	157,218	43,744	27.82 %
Community environment	680,202	713,924	(33,722)	(4.72) %
Basic utility services	<u>1,810,607</u>	<u>1,782,344</u>	<u>28,263</u>	1.59 %
<b>Total</b>	<b><u>\$ 10,944,157</u></b>	<b><u>\$ 10,803,916</u></b>	<b><u>\$ 140,241</u></b>	<b>1.30 %</b>

General fund expenditures increased \$140,241 or 1.30%. The increases in general government, security of persons and property, public health and welfare, transportation, and basic utility services are due to increased spending throughout the City.

**Expenditures - 2011**



**Expenditures - 2010**



***Budgeting Highlights***

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, the actual revenues came in \$235,505 higher than they were in the final budget and actual expenditures and other financing uses were \$147,672 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$358,820 from the original to the final budget. Budgeted revenues were decreased \$953,266 from the original to the final budget.

**CITY OF BAY VILLAGE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

***General Obligation Bond Retirement Fund***

The general obligation bond retirement fund had revenues and other financing sources of \$3,876,750 in 2011. The expenditures and other financing uses of the general obligation bond retirement fund totaled \$1,991,935 in 2011. The net increase in fund balance for the general obligation bond retirement fund was \$1,884,815 or 75.20%. The increase in fund balance is mainly due to the issuance of bonds during 2011.

***Bradley Road Fund***

The Bradley Road fund had \$1,093,170 in expenditures in 2011. The Bradley Road fund had a fund deficit of \$1,093,170 at year end. The deficit fund balance is due to intergovernmental grants that were not received during the available period of the City.

***Infrastructure Improvement Fund***

The infrastructure improvement fund had other uses of \$930,000 during the year. The infrastructure improvement fund had a fund balance of \$2,754,549 at year end.

***Proprietary Funds***

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of 2011, the City had \$29,207,466 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, and infrastructure. Of this total, \$22,326,392 was reported in governmental activities and \$6,881,074 was reported in business-type activities. The following table shows December 31, 2011 balances compared to December 31, 2010:

**Capital Assets at December 31  
(Net of Depreciation)**

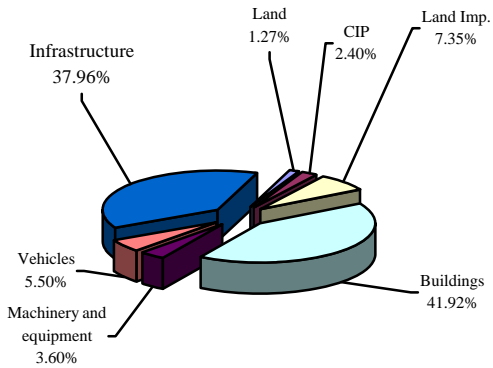
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Land	\$ 284,067	\$ 284,067	\$ 40,000	\$ 40,000	\$ 324,067	\$ 324,067
Construction in Progress	534,869	81,122	26,500	-	561,369	81,122
Land improvements	1,640,414	1,640,314	665,814	712,189	2,306,228	2,352,503
Buildings	9,359,616	9,602,385	1,342,266	1,376,704	10,701,882	10,979,089
Machinery and equipment	804,008	905,657	377,781	427,987	1,181,789	1,333,644
Vehicles	1,227,330	1,338,733	609,486	415,356	1,836,816	1,754,089
Infrastructure						
Roads	7,898,710	8,339,948	-	-	7,898,710	8,339,948
Sewer lines	-	-	3,819,227	3,949,288	3,819,227	3,949,288
Culverts	75,876	78,509	-	-	75,876	78,509
Traffic signals	501,502	532,018	-	-	501,502	532,018
Totals	<u>\$ 22,326,392</u>	<u>\$ 22,802,753</u>	<u>\$ 6,881,074</u>	<u>\$ 6,921,524</u>	<u>\$ 29,207,466</u>	<u>\$ 29,724,277</u>

**CITY OF BAY VILLAGE, OHIO**

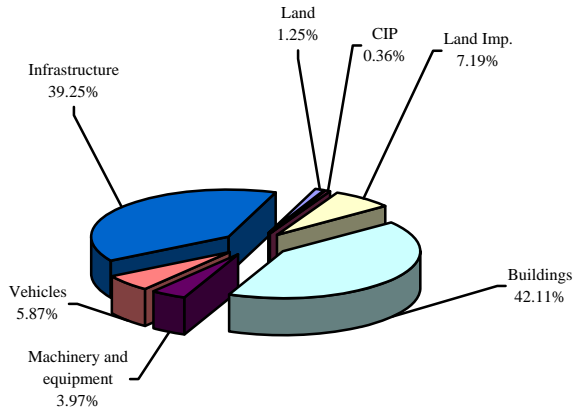
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

The following graphs show the breakdown of governmental capital assets by category for 2011 and 2010.

**Capital Assets - Governmental Activities  
December 31, 2011**



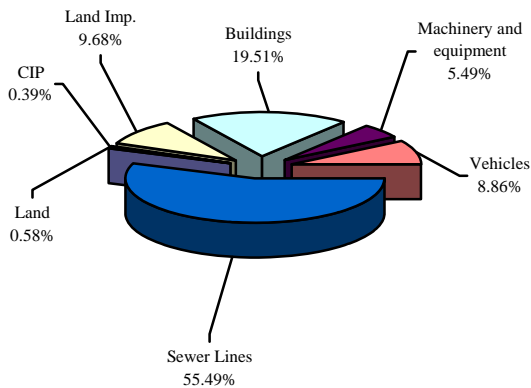
**Capital Assets - Governmental Activities  
December 31, 2010**



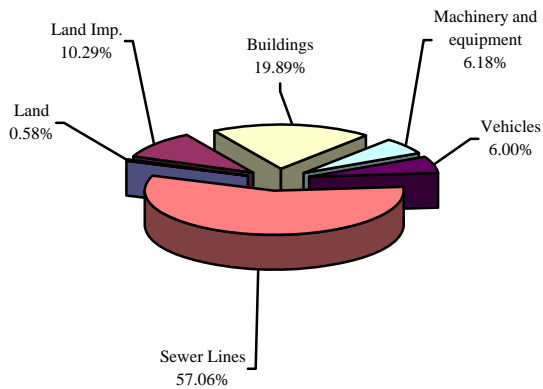
Infrastructure includes roads, culverts and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 37.96% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2011 and 2010.

**Capital Assets - Business-Type Activities  
December 31, 2011**



**Capital Assets - Business-Type Activities  
December 31, 2010**



The City's largest business-type capital asset category is sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's sewer lines (cost less accumulated depreciation) represents approximately 55.50% of the City's total business-type capital assets.

**CITY OF BAY VILLAGE, OHIO**

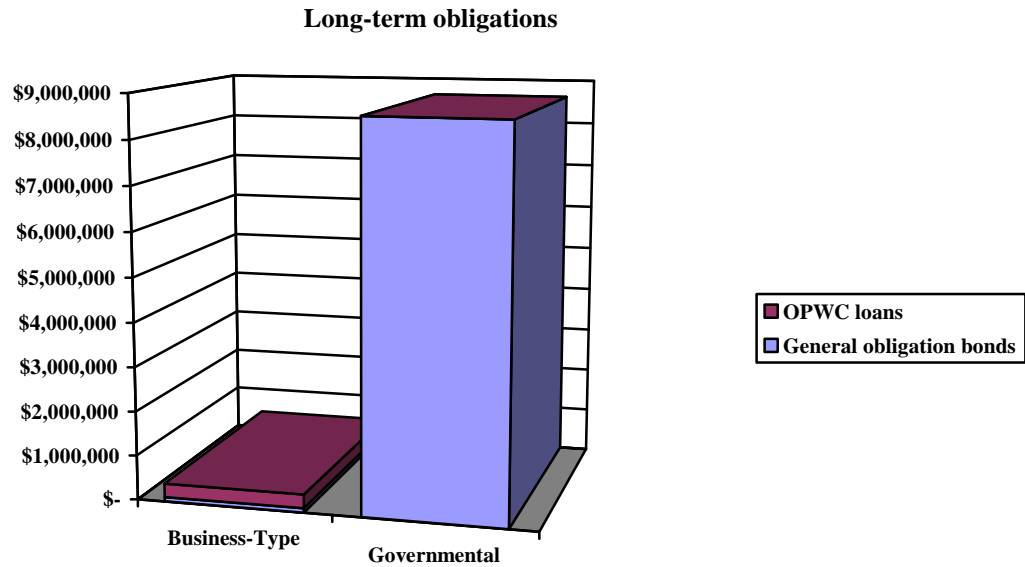
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2011 and 2010:

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
General obligation bonds	<u>\$ 8,658,600</u>	<u>\$ 8,265,302</u>
Total long-term obligations	<u>\$ 8,658,600</u>	<u>\$ 8,265,302</u>
	Business-type Activities	
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 100,000	\$ 150,000
OPWC loans	<u>306,062</u>	<u>340,069</u>
Total long-term obligations	<u>\$ 406,062</u>	<u>\$ 490,069</u>

A comparison of the long-term obligations by category is depicted in the chart below.



Further detail on the City's long-term obligations can be found in Note 11 to the financial statements.

## **CITY OF BAY VILLAGE, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011**

#### ***Current Financial Related Activities***

The mission of the City of Bay Village is to continue our heritage as a desirable lakefront community by preserving and enhancing our quality of life, natural surroundings and residential character, strengthening our business environment, and striving to provide superior services in a fiscally responsible manner.

The City of Bay Village is located on the shoreline of Lake Erie. Apart from lakefront activities, the citizens of Bay Village continue to enjoy a variety of City recreational facilities. The City maintains four parks and each has a combination of tennis courts, ball diamonds, soccer fields, walking trails and toddler playgrounds. The City's swimming pool enjoys strong attendance as does the community gym which offers fitness equipment, a walking track, program activities and open gym hours.

The City remains committed to improving facilities and services. Management continually reviews and plans in relation to annual and projected budgets. In 2011 the council and administrative staff reviewed the municipal facilities, services and staffing. During 2012 we will continue our efforts to streamline, consolidate, and implement job-sharing to create more flexible positions and increase cross-training in order to maintain the highest level of service.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information please contact: Mr. Steven Presley, City of Bay Village, 350 Dover Center Road, Bay Village, Ohio, 44140, telephone 440-871-2200 or email at [spresley@cityofbayvillage.com](mailto:spresley@cityofbayvillage.com). Other information about the City is available on our website, [www.cityofbayvillage.com](http://www.cityofbayvillage.com).

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**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 9,250,171	\$ 576,141	\$ 9,826,312
Receivables:			
Municipal income taxes . . . . .	2,058,582	-	2,058,582
Property and other local taxes . . . . .	7,440,649	-	7,440,649
Accounts . . . . .	155,382	162,653	318,035
Accrued interest . . . . .	18,457	-	18,457
Special assessments . . . . .	123,911	-	123,911
Intergovernmental . . . . .	2,450,019	-	2,450,019
Materials and supplies inventory . . . . .	126,104	782	126,886
Prepayments . . . . .	70,098	-	70,098
Internal balance . . . . .	205,765	(205,765)	-
Unamortized bond issue costs . . . . .	105,973	-	105,973
Investment in joint venture . . . . .	-	4,635,409	4,635,409
Capital assets:			
Land and construction in progress . . . . .	818,936	66,500	885,436
Depreciable capital assets, net . . . . .	21,507,456	6,814,574	28,322,030
Total capital assets, net . . . . .	<u>22,326,392</u>	<u>6,881,074</u>	<u>29,207,466</u>
Total assets . . . . .	<u>44,331,503</u>	<u>12,050,294</u>	<u>56,381,797</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	523,887	58,399	582,286
Contracts payable . . . . .	25,578	11,283	36,861
Retainage payable . . . . .	52,949	-	52,949
Accrued wages and benefits payable . . . . .	56,659	9,034	65,693
Intergovernmental payable . . . . .	320,324	8,332	328,656
Accrued interest payable . . . . .	29,096	333	29,429
Claims payable . . . . .	107,206	-	107,206
Vacation benefits payable . . . . .	570,154	46,295	616,449
Unearned revenue . . . . .	6,571,023	-	6,571,023
Long-term liabilities:			
Due within one year . . . . .	1,637,668	132,087	1,769,755
Due in more than one year . . . . .	8,267,435	381,732	8,649,167
Total liabilities . . . . .	<u>18,161,979</u>	<u>647,495</u>	<u>18,809,474</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	13,773,765	6,475,012	20,248,777
Restricted for:			
Debt service . . . . .	19,104	-	19,104
Capital projects . . . . .	14,453	-	14,453
Waldeck estates:			
Expendable . . . . .	4,457	-	4,457
Nonexpendable . . . . .	163,623	-	163,623
General government programs . . . . .	3,924	-	3,924
Security of persons and property programs . . . . .	49,803	-	49,803
Public health and welfare programs . . . . .	46,439	-	46,439
Transportation programs . . . . .	24,460	-	24,460
Community environment programs . . . . .	1,346	-	1,346
Leisure time activity programs . . . . .	21,017	-	21,017
Cahoon Library . . . . .	81,066	-	81,066
Cahoon Park . . . . .	14,219	-	14,219
Unrestricted . . . . .	<u>11,951,848</u>	<u>4,927,787</u>	<u>16,879,635</u>
Total net assets . . . . .	<u>\$ 26,169,524</u>	<u>\$ 11,402,799</u>	<u>\$ 37,572,323</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government . . . . .	\$ 2,788,614	\$ 753,040	\$ 894	\$ -
Security of persons and property . . . . .	6,816,628	115,197	26,637	-
Public health and welfare . . . . .	400,825	-	8,923	-
Transportation. . . . .	2,824,832	2,284	714,342	1,264,918
Community environment . . . . .	670,741	290,148	4,200	-
Leisure time activity. . . . .	957,931	221,354	6,882	-
Basic utility services. . . . .	1,859,129	-	341	-
Interest and fiscal charges. . . . .	445,057	-	-	-
Total governmental activities . . . . .	<u>16,763,757</u>	<u>1,382,023</u>	<u>762,219</u>	<u>1,264,918</u>
<b>Business-type activities:</b>				
Sewer. . . . .	2,611,305	1,546,691	-	-
Pool . . . . .	417,779	336,477	-	-
Total business-type activities . . . . .	<u>3,029,084</u>	<u>1,883,168</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 19,792,841</u>	<u>\$ 3,265,191</u>	<u>\$ 762,219</u>	<u>\$ 1,264,918</u>

**General revenues:**

- Property taxes levied for:
  - General purposes . . . . .
  - Emergency Paramedic . . . . .
  - Parks and recreation . . . . .
  - Police Pension . . . . .
  - Fire Pension . . . . .
  - Debt service . . . . .
- Income taxes levied for:
  - General purposes . . . . .
  - Accrued benefits . . . . .
  - Capital projects . . . . .
- Grants and entitlements not restricted to specific programs . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Total general revenues and transfers . . . . .

Change in net assets . . . . .

**Net assets at beginning of year. . . . .**

**Net assets at end of year . . . . .**

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,034,680)	\$ -	\$ (2,034,680)
(6,674,794)	-	(6,674,794)
(391,902)	-	(391,902)
(843,288)	-	(843,288)
(376,393)	-	(376,393)
(729,695)	-	(729,695)
(1,858,788)	-	(1,858,788)
(445,057)	-	(445,057)
<u>(13,354,597)</u>	<u>-</u>	<u>(13,354,597)</u>
-	(1,064,614)	(1,064,614)
-	(81,302)	(81,302)
-	<u>(1,145,916)</u>	<u>(1,145,916)</u>
<u>(13,354,597)</u>	<u>(1,145,916)</u>	<u>(14,500,513)</u>
3,499,070	-	3,499,070
628,673	-	628,673
208,263	-	208,263
124,956	-	124,956
124,956	-	124,956
1,610,588	-	1,610,588
5,042,769	-	5,042,769
106,416	-	106,416
171,661	-	171,661
2,247,736	-	2,247,736
104,429	-	104,429
75,886	1,080	76,966
<u>13,945,403</u>	<u>1,080</u>	<u>13,946,483</u>
<u>(1,163,220)</u>	<u>1,163,220</u>	<u>-</u>
<u>12,782,183</u>	<u>1,164,300</u>	<u>13,946,483</u>
(572,414)	18,384	(554,030)
<u>26,741,938</u>	<u>11,384,415</u>	<u>38,126,353</u>
<u>\$ 26,169,524</u>	<u>\$ 11,402,799</u>	<u>\$ 37,572,323</u>

**CITY OF BAY VILLAGE, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Bradley Road</u>	<u>Infrastructure Improvement</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 761,051	\$ 2,268,529	\$ 751,859	\$ 1,254,549
Receivables:				
Municipal income taxes . . . . .	1,976,240	-	-	-
Property and other local taxes . . . . .	4,194,727	1,942,559	-	-
Accounts. . . . .	155,382	-	-	-
Accrued interest . . . . .	18,457	-	-	-
Special assessments . . . . .	18,941	-	-	-
Intergovernmental . . . . .	732,274	133,635	1,030,220	-
Interfund loans. . . . .	35,000	395,500	-	1,500,000
Loans receivable. . . . .	-	1,555,000	-	-
Materials and supplies inventory. . . . .	11,462	-	-	-
Prepayments . . . . .	70,098	-	-	-
Total assets . . . . .	<u>\$ 7,973,632</u>	<u>\$ 6,295,223</u>	<u>\$ 1,782,079</u>	<u>\$ 2,754,549</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 198,201	\$ 500	\$ 292,080	\$ -
Contracts payable. . . . .	-	-	-	-
Retainage payable . . . . .	-	-	52,949	-
Accrued wages and benefits payable . . . . .	40,697	-	-	-
Matured compensated absences payable . . . . .	-	-	-	-
Interfund loans payable. . . . .	-	-	1,500,000	-
Intergovernmental payable . . . . .	89,405	-	-	-
Loans payable . . . . .	-	-	-	-
Deferred revenue . . . . .	1,965,226	187,912	1,030,220	-
Unearned revenue . . . . .	3,704,468	1,715,522	-	-
Total liabilities . . . . .	<u>5,997,997</u>	<u>1,903,934</u>	<u>2,875,249</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable . . . . .	81,560	1,555,000	-	-
Restricted. . . . .	-	-	-	-
Committed . . . . .	27,015	2,836,289	-	2,754,549
Assigned . . . . .	587,063	-	-	-
Unassigned (deficit) . . . . .	<u>1,279,997</u>	<u>-</u>	<u>(1,093,170)</u>	<u>-</u>
Total fund balances (deficits). . . . .	<u>1,975,635</u>	<u>4,391,289</u>	<u>(1,093,170)</u>	<u>2,754,549</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,973,632</u>	<u>\$ 6,295,223</u>	<u>\$ 1,782,079</u>	<u>\$ 2,754,549</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,530,537	\$ 8,566,525
82,342	2,058,582
1,303,363	7,440,649
-	155,382
-	18,457
104,970	123,911
553,890	2,450,019
-	1,930,500
-	1,555,000
114,642	126,104
-	70,098
<u>\$ 5,689,744</u>	<u>\$ 24,495,227</u>

\$ 32,179	\$ 522,960
25,578	25,578
-	52,949
15,962	56,659
82,067	82,067
430,500	1,930,500
215,497	304,902
1,325,000	1,325,000
536,834	3,720,192
1,151,033	6,571,023
<u>3,814,650</u>	<u>14,591,830</u>

278,265	1,914,825
344,630	344,630
2,421,961	8,039,814
66,003	653,066
<u>(1,235,765)</u>	<u>(1,048,938)</u>
<u>1,875,094</u>	<u>9,903,397</u>
<u>\$ 5,689,744</u>	<u>\$ 24,495,227</u>

**CITY OF BAY VILLAGE, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011

<b>Total governmental fund balances</b>		\$	9,903,397
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			22,326,392
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Municipal income taxes receivable	\$	1,276,084	
Property and other local taxes receivable		207,898	
Accounts receivable		45,500	
Accrued interest receivable		10,224	
Special assessments receivable		144,856	
Intergovernmental receivable		2,035,630	
Total		2,035,630	3,720,192
Two internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. The net assets of the internal service funds, including internal balance of (\$24,235) are:			535,856
Accrued interest payable is not due and payable in the current period and therefore is not reported in the governmental funds.			(29,096)
Unamortized bond issuance costs are not recognized in the governmental funds.			105,973
Vacation benefits payable are not expected to be paid with expendable available resources and therefore are not reported in the funds.			(570,154)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(1,164,436)	
General obligation bonds payable		(8,615,000)	
Bond premium		(43,600)	
Total		(9,823,036)	(9,823,036)
<b>Net assets of governmental activities</b>		\$	26,169,524

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Bradley Road</u>	<u>Infrastructure Improvement</u>
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 4,912,030	\$ -	\$ -	\$ -
Property and other local taxes . . . . .	3,454,293	1,589,850	-	-
Charges for services. . . . .	244,658	-	-	-
Fines, licenses and permits . . . . .	546,090	-	-	-
Intergovernmental. . . . .	1,740,178	267,269	-	-
Special assessments . . . . .	-	-	-	-
Investment income. . . . .	94,596	11,532	-	-
Rental income . . . . .	18,375	-	-	-
Contributions and donations. . . . .	11,736	-	-	-
Other . . . . .	370,841	-	-	-
Total revenues . . . . .	<u>11,392,797</u>	<u>1,868,651</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,804,560	500	-	-
Security of persons and property . . . . .	5,164,502	-	-	-
Public health and welfare. . . . .	283,324	-	-	-
Transportation . . . . .	200,962	-	-	-
Community environment . . . . .	680,202	-	-	-
Leisure time activity . . . . .	-	-	-	-
Basic utility services . . . . .	1,810,607	-	-	-
Capital outlay . . . . .	-	-	1,093,170	-
Debt service:				
Principal retirement. . . . .	-	1,235,000	-	-
Interest and fiscal charges . . . . .	-	423,935	-	-
Bond issuance costs . . . . .	-	31,500	-	-
Total expenditures . . . . .	<u>10,944,157</u>	<u>1,690,935</u>	<u>1,093,170</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>448,640</u>	<u>177,716</u>	<u>(1,093,170)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Bond issuance. . . . .	-	1,625,000	-	-
Sale of capital assets. . . . .	-	-	-	-
Transfers in . . . . .	-	375,000	-	-
Transfers (out). . . . .	(1,093,000)	(301,000)	-	(930,000)
Premium on bond issuance . . . . .	-	8,099	-	-
Total other financing sources (uses) . . . . .	<u>(1,093,000)</u>	<u>1,707,099</u>	<u>-</u>	<u>(930,000)</u>
<b>Extraordinary item:</b>				
Insurance proceeds for roof collapse . . . . .	-	-	-	-
Net change in fund balances . . . . .	(644,360)	1,884,815	(1,093,170)	(930,000)
<b>Fund balances at beginning of year (restated)</b>	2,619,995	2,506,474	-	3,684,549
<b>Fund balances (deficits) at end of year. . . . .</b>	<u>\$ 1,975,635</u>	<u>\$ 4,391,289</u>	<u>\$ (1,093,170)</u>	<u>\$ 2,754,549</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 313,533	\$ 5,225,563
1,072,936	6,117,079
214,570	459,228
5,689	551,779
987,475	2,994,922
21,968	21,968
4,561	110,689
12,268	30,643
20,014	31,750
103,255	474,096
<u>2,756,269</u>	<u>16,017,717</u>
67,769	2,872,829
1,697,186	6,861,688
4,923	288,247
1,067,722	1,268,684
5,520	685,722
876,317	876,317
24,051	1,834,658
875,553	1,968,723
-	1,235,000
-	423,935
-	31,500
<u>4,619,041</u>	<u>18,347,303</u>
<u>(1,862,772)</u>	<u>(2,329,586)</u>
-	1,625,000
53,107	53,107
1,475,067	1,850,067
(417,067)	(2,741,067)
-	8,099
<u>1,111,107</u>	<u>795,206</u>
<u>103,149</u>	<u>103,149</u>
(648,516)	(1,431,231)
2,523,610	11,334,628
<u>\$ 1,875,094</u>	<u>\$ 9,903,397</u>

**CITY OF BAY VILLAGE, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Net change in fund balances - total governmental funds** \$ (1,431,231)

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$	745,005	
Current year depreciation		(1,213,987)	
Total			(468,982)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (7,379)

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

Municipal income taxes		95,283	
Property and other local taxes		79,427	
Charges for services		15,223	
Intergovernmental		1,152,121	
Special assessments		(3,509)	
Investment income		(4,472)	
Insurance proceeds		(103,149)	
Total			1,230,924

Proceeds of bonds are reported as an other finance source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (1,625,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,235,000

Premiums on general obligation bonds are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (8,099)

Bond issuance costs on general obligation bonds are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. 31,500

- - Continued



**CITY OF BAY VILLAGE, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2011

In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in decreased interest being reported on the statement of activities:

Increase in accrued interest payable	\$	(48)	
Amortization of bond issuance costs		(25,875)	
Amortization of bond premiums		4,801	
Total		4,801	\$ (21,122)

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

Compensated absences		56,522	
Vacation benefits payable		13,331	
			69,853

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

		422,122	
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(572,414)</b>	

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 5,279,204	\$ 4,867,398	\$ 4,969,135	\$ 101,737
Real and other taxes. . . . .	3,831,977	3,533,063	3,606,910	73,847
Charges for services. . . . .	242,101	223,215	227,881	4,666
Fines, licenses and permits . . . . .	575,510	530,617	541,708	11,091
Intergovernmental. . . . .	1,733,567	1,598,340	1,631,748	33,408
Investment income. . . . .	129,731	119,611	122,111	2,500
Rental income . . . . .	19,522	17,999	18,375	376
Contributions and donations. . . . .	6,625	6,108	6,236	128
Other . . . . .	402,281	370,901	378,653	7,752
<b>Total revenues . . . . .</b>	<u>12,220,518</u>	<u>11,267,252</u>	<u>11,502,757</u>	<u>235,505</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,543,412	2,741,196	2,677,337	63,859
Security of persons and property . . . . .	4,960,194	5,234,326	5,192,420	41,906
Public health and welfare. . . . .	251,808	248,926	244,636	4,290
Transportation . . . . .	221,479	208,979	205,737	3,242
Community environment . . . . .	699,743	694,404	686,806	7,598
Basic utility services. . . . .	1,876,756	1,749,381	1,722,604	26,777
<b>Total expenditures . . . . .</b>	<u>10,553,392</u>	<u>10,877,212</u>	<u>10,729,540</u>	<u>147,672</u>
 Excess of revenues over expenditures . . . . .	 <u>1,667,126</u>	 <u>390,040</u>	 <u>773,217</u>	 <u>383,177</u>
<b>Other financing sources (uses):</b>				
Advances (out) and not repaid . . . . .	-	(35,000)	(35,000)	-
Transfers in . . . . .	525,000	525,000	525,000	-
Transfers (out). . . . .	(1,277,000)	(1,277,000)	(1,277,000)	-
<b>Total other financing sources (uses) . . . . .</b>	<u>(752,000)</u>	<u>(787,000)</u>	<u>(787,000)</u>	<u>-</u>
 Net change in fund balances . . . . .	 915,126	 (396,960)	 (13,783)	 383,177
<b>Fund balances at beginning of year (restated) .</b>	<b>501,766</b>	<b>501,766</b>	<b>501,766</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . .</b>	<b>46,044</b>	<b>46,044</b>	<b>46,044</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><b>\$ 1,462,936</b></u>	<u><b>\$ 150,850</b></u>	<u><b>\$ 534,027</b></u>	<u><b>\$ 383,177</b></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTERGRAL PART OF THIS STATEMENT

**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental Activities - Internal Service Funds</b>
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and investments . . . . .	\$ 436,351	\$ 139,790	\$ 576,141	\$ 683,646
Receivables:				
Accounts . . . . .	162,653	-	162,653	-
Materials and supplies inventory . . . . .	782	-	782	-
Total current assets . . . . .	<u>599,786</u>	<u>139,790</u>	<u>739,576</u>	<u>683,646</u>
Noncurrent assets:				
Investment in joint venture . . . . .	4,635,409	-	4,635,409	-
Capital assets:				
Land and construction in progress . . . . .	66,500	-	66,500	-
Depreciable capital assets, net . . . . .	5,006,777	1,807,797	6,814,574	-
Total capital assets, net . . . . .	<u>5,073,277</u>	<u>1,807,797</u>	<u>6,881,074</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>9,708,686</u>	<u>1,807,797</u>	<u>11,516,483</u>	<u>-</u>
Total assets . . . . .	<u>10,308,472</u>	<u>1,947,587</u>	<u>12,256,059</u>	<u>683,646</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable . . . . .	39,669	18,730	58,399	927
Contracts payable . . . . .	11,283	-	11,283	-
Accrued wages and benefits payable . . . . .	9,034	-	9,034	-
Claims payable . . . . .	-	-	-	107,206
Intergovernmental payable . . . . .	8,332	-	8,332	15,422
Loans payable . . . . .	230,000	-	230,000	-
Accrued interest payable . . . . .	333	-	333	-
Vacation benefits payable . . . . .	46,295	-	46,295	-
Compensated absences payable . . . . .	48,080	-	48,080	-
General obligation bonds payable . . . . .	50,000	-	50,000	-
OPWC loans payable . . . . .	34,007	-	34,007	-
Total current liabilities . . . . .	<u>477,033</u>	<u>18,730</u>	<u>495,763</u>	<u>123,555</u>
Long-term liabilities:				
Compensated absences payable . . . . .	59,677	-	59,677	-
General obligation bonds payable . . . . .	50,000	-	50,000	-
OPWC loans payable . . . . .	272,055	-	272,055	-
Total long-term liabilities . . . . .	<u>381,732</u>	<u>-</u>	<u>381,732</u>	<u>-</u>
Total liabilities . . . . .	<u>858,765</u>	<u>18,730</u>	<u>877,495</u>	<u>123,555</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	4,667,215	1,807,797	6,475,012	-
Unrestricted . . . . .	4,782,492	121,060	4,903,552	560,091
Total net assets . . . . .	<u>\$ 9,449,707</u>	<u>\$ 1,928,857</u>	<u>11,378,564</u>	<u>\$ 560,091</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			<u>24,235</u>	
Net assets of business-type activities			<u>\$ 11,402,799</u>	

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	<b>Activities - Internal Service Funds</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 1,546,691	\$ 336,477	\$ 1,883,168	\$ 1,791,326
Other . . . . .	350	730	1,080	78,383
Total operating revenues. . . . .	<u>1,547,041</u>	<u>337,207</u>	<u>1,884,248</u>	<u>1,869,709</u>
<b>Operating expenses:</b>				
Personal services . . . . .	542,070	160,532	702,602	-
Benefits . . . . .	202,613	27,452	230,065	-
Contract services. . . . .	1,299,819	51,855	1,351,674	-
Materials and supplies. . . . .	55,952	69,723	125,675	57,895
Depreciation. . . . .	203,511	109,159	312,670	-
Administrative costs . . . . .	-	-	-	1,365,572
Other . . . . .	3,920	737	4,657	-
Total operating expenses. . . . .	<u>2,307,885</u>	<u>419,458</u>	<u>2,727,343</u>	<u>1,423,467</u>
Operating income (loss) . . . . .	<u>(760,844)</u>	<u>(82,251)</u>	<u>(843,095)</u>	<u>446,242</u>
<b>Nonoperating revenues (expenses):</b>				
Interest and fiscal charges . . . . .	(78,668)	-	(78,668)	-
Interest income. . . . .	-	-	-	2,773
Equity in loss of joint venture . . . . .	(249,966)	-	(249,966)	-
Total nonoperating revenues (expenses). . . . .	<u>(328,634)</u>	<u>-</u>	<u>(328,634)</u>	<u>2,773</u>
Income (loss) before contributions and transfers . . . . .	(1,089,478)	(82,251)	(1,171,729)	449,015
Transfer in . . . . .	891,000	-	891,000	-
Capital contributions. . . . .	<u>272,220</u>	<u>-</u>	<u>272,220</u>	<u>-</u>
Change in net assets . . . . .	73,742	(82,251)	(8,509)	449,015
<b>Net assets at beginning of year. . . . .</b>	<u>9,375,965</u>	<u>2,011,108</u>		<u>111,076</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 9,449,707</u>	<u>\$ 1,928,857</u>		<u>\$ 560,091</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			<u>26,893</u>	
Change in net assets of business-type activities.			<u>\$ 18,384</u>	

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	<b>Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>				
Cash received from charges for services. . . . .	\$ 1,528,802	\$ 336,676	\$ 1,865,478	\$ -
Cash received from transactions with other funds . . .	-	-	-	1,791,326
Cash received from other operations . . . . .	350	730	1,080	78,383
Cash payments for personal services. . . . .	(535,455)	(160,532)	(695,987)	-
Cash payments for employee services and benefits . .	(202,613)	(27,452)	(230,065)	-
Cash payments for contractual services . . . . .	(1,254,088)	(36,669)	(1,290,757)	(56,968)
Cash payments to suppliers materials and supplies . . .	(52,408)	(66,179)	(118,587)	-
Cash payments for claims . . . . .	-	-	-	(1,432,105)
Cash payments for other expenses . . . . .	(3,920)	(737)	(4,657)	-
Net cash provided by (used in) operating activities . . . . .	(519,332)	45,837	(473,495)	380,636
<b>Cash flows from noncapital financing activities:</b>				
Cash received from transfers in . . . . .	891,000	-	891,000	-
Cash used in repayment of loans. . . . .	(35,000)	-	(35,000)	-
Net cash provided by noncapital financing activities. . . . .	856,000	-	856,000	-
<b>Cash flows from capital and related financing activities:</b>				
Principal retirement on general obligation bonds. . . .	(50,000)	-	(50,000)	-
Interest paid on general obligaiton bonds . . . . .	(78,835)	-	(78,835)	-
Principal paid on OPWC loans . . . . .	(34,007)	-	(34,007)	-
Net cash used in capital and related financing activities. . . . .	(162,842)	-	(162,842)	-
<b>Cash flows from investing activities:</b>				
Interest received . . . . .	-	-	-	2,773
Capital contributed to joint venture . . . . .	(104,018)	-	(104,018)	-
Net cash provided by (used in) investing activities . .	(104,018)	-	(104,018)	2,773
Net increase in cash and investments . . . . .	69,808	45,837	115,645	383,409
<b>Cash and investments at beginning of year . . .</b>	<b>366,543</b>	<b>93,953</b>	<b>460,496</b>	<b>300,237</b>
<b>Cash and investments at end of year . . . . .</b>	<b>\$ 436,351</b>	<b>\$ 139,790</b>	<b>\$ 576,141</b>	<b>\$ 683,646</b>

- - Continued

**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ (760,844)	\$ (82,251)	\$ (843,095)	\$ 446,242
Adjustments:				
Depreciation. . . . .	203,511	109,159	312,670	-
Changes in assets and liabilities:				
(Increase) in materials and supplies inventory . . . . .	(782)	-	(782)	-
Decrease (increase) in accounts receivable. . . . .	(17,889)	199	(17,690)	-
Increase in accounts payable . . . . .	39,576	18,730	58,306	927
Increase in contracts payable . . . . .	10,481	-	10,481	-
Increase in accrued wages and benefits . . . . .	674	-	674	-
Increase (decrease) in intergovernmental payable . . . . .	1,321	-	1,321	(44,874)
(Decrease) in compensated absences payable . . . . .	(2,115)	-	(2,115)	-
Increase vacation benefits payable . . . . .	6,735	-	6,735	-
(Decrease) in claims payable . . . . .	-	-	-	(21,659)
Net cash provided by (used in) operating activities . . . . .	<u>\$ (519,332)</u>	<u>\$ 45,837</u>	<u>\$ (473,495)</u>	<u>\$ 380,636</u>

**Non-cash transactions:**

During 2011, the sewer fund received \$272,220 in capital contributions from governmental funds.

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF BAY VILLAGE, OHIO

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 26,405
Total assets . . . . .	<u>\$ 26,405</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 2,728
Undistributed monies . . . . .	<u>23,677</u>
Total liabilities. . . . .	<u>\$ 26,405</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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## CITY OF BAY VILLAGE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

#### **NOTE 1 - DESCRIPTION OF CITY AND REPORTING ENTITY**

The City of Bay Village (the "City") was incorporated in 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. Four Ward Council members are elected to 2-year terms; two At-Large Council members and the Council President are elected to 4-year terms. The Director of Law and the Director of Finance are appointed by the Mayor.

#### **Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading.

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police and fire protection, a street maintenance force, sanitation services, planning and zoning departments, parks and recreation system, a sewage system and a general administrative staff to provide support for the service groups. The operations of 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; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

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 committee consisting of the elected mayors, or their designee, of the four cities and a fifth person nominated and elected by the mayors. The committee has complete authority over all aspects of the plant's operation. The City has an explicit and measurable 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 12).

The City is associated with the West Shore Council of Governments, Safe Air for Environment (S.A.F.E.) Council of Governments and the West Shore Area Rescue Association. These are jointly governed organizations and are presented in Note 13.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the City are presented as of December 31, 2011 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The City also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The City has elected not to apply FASB guidance issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

**A. Basis of Presentation**

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

***Government-wide Financial Statements*** - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the City.

***Fund Financial Statement*** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City reports three categories of funds: governmental, proprietary and fiduciary.

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following are the City's major governmental funds:

**General fund** - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**General obligation bond retirement fund** - This fund is used to account for the accumulation of resources committed to pay debt principal, interest and related costs for general debt.

**Bradley Road improvement fund** - This fund is used to account for the accumulation of resources that are restricted to be used for improvements on Bradley Road.

**Infrastructure improvement fund** - This fund is used to account for the accumulation of resources that are committed to improve infrastructure throughout the City.

The other governmental funds of the City account for (a) financial resources that are restricted, committed or assigned to expenditures for capital outlay including the acquisition or construction of capital facilities and other capital assets; (b) specific revenue sources that are restricted or committed to an expenditure for specific purposes other than debt service or capital projects and (c) to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

**Proprietary Funds** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

**Sewer fund** - This fund is used to account for revenues generated from charges for sanitary sewer services provided to the residential and commercial users of the City.

**Swimming pool fund** - This fund is used to account for revenues generated from charges for pool passes, pool programs and concession sales.

**Internal Service Funds** - Internal Service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds report on a self-insurance program for employee medical benefits and workers' compensation.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for contractor's deposits, senior program deposits and security deposits for facility rentals.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Measurement Focus**

*Government-wide Financial Statements* - The government-wide financial statements are presented using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

*Fund Financial Statements* - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Nonexchange 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 (See Note 5.B.). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5.A.). 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants, fees and rentals.

***Unearned Revenue and Deferred Revenue*** - Unearned revenue and deferred revenue arise 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, 2011, but which were levied to finance year 2012 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue on the governmental fund financial statements.

***Expenses/Expenditures*** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**E. Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and investments".

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

During the year, the City's investments were limited to municipal bonds, a Federal Home Loan Mortgage federal security, a Federal Home Loan Bank federal security, Federal Home Loan Bank Discount Notes, Federal National Mortgage Association securities and non-negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit and repurchase agreements, are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2011 amounted to \$94,596, which includes \$89,393 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

**F. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies. On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2011 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

**H. Capital Assets**

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	20 - 50 years
Equipment	5 - 20 years
Vehicles	3 - 12 years
Infrastructure	20 - 50 years

The City’s infrastructure consists of roads, culverts, traffic signals, sewer lines and only includes infrastructure acquired or constructed after December 31, 1980.

**I. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. On fund financial statements, receivables and payables resulting from long-term interfund loans are “loans receivable/loans payable”. At year-end, the City had \$1,555,000 in loans receivable/loans payable related to internal borrowings (manuscript bonds). Interfund loans which do not represent available expendable resources are offset by a nonspendable fund balance. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**J. Compensated Absences**

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and loans are recognized as a liability on the governmental fund financial statements when due.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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



**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$443,911 of restricted net assets, none of which are restricted by enabling legislation. Net assets restricted for other purposes primarily include the resources restricted for the operations of the Bay Family Service and for alcohol intervention.

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

**N. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. The sewer fund received \$272,220 in capital contributions from governmental funds.

**O. Bond Issuance Costs**

Bond issuance costs are deferred and amortized over the term of bonds using the straight-line method since the results are not significantly different from the effective interest method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets. On the governmental fund financial statements, bond issuance costs are recognized in the current period.

**P. Bond Premium**

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.

**Q. Interfund Activity**

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

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

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**R. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department and fund for all funds. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

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

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

**S. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services and other operating revenue for the sewer and swimming pool funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

**T. Estimates**

The preparation of the financial statements in conformity with GAAP 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.

**U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. The City reported insurance proceeds of \$103,149 on the fund financial statements. This amount is reported as an extraordinary item.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the City has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the City.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the City’s governmental fund balances as previously reported:

	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Infrastructure Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 2,602,300	\$ 2,506,474	\$ 3,684,549	\$ 2,541,305	\$ 11,334,628
Fund reclassifications:					
Bay family service	<u>17,695</u>	<u>-</u>	<u>-</u>	<u>(17,695)</u>	<u>-</u>
Total fund reclassifications	<u>17,695</u>	<u>-</u>	<u>-</u>	<u>(17,695)</u>	<u>-</u>
Restated fund balance at January 1, 2011	<u>\$ 2,619,995</u>	<u>\$ 2,506,474</u>	<u>\$ 3,684,549</u>	<u>\$ 2,523,610</u>	<u>\$ 11,334,628</u>

The fund reclassifications did not have an effect on net assets as previously reported.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The City has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at December 31, 2011 is as follows:

<b>Budgetary Basis</b>	<u>General Fund</u>
Balance at December 31, 2010	\$ 1,213,978
Funds budgeted elsewhere	<u>(712,212)</u>
Restated balance at January 1, 2011	<u>\$ 501,766</u>

**D. Deficit Fund Balances**

Fund balances at December 31, 2011 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
Bradley Road improvement	\$ 1,093,170
 <u>Nonmajor governmental funds</u>	
Street construction, maintenance and repair	178,727
Police pension	56,455
Fire pension	73,393
Equipment replacement	623,567
Public improvements	188,981

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the police pension and fire pension funds resulted from adjustments for accrued liabilities. The deficit fund balances in the remaining funds resulted from reporting long-term interfund activity as a fund liability rather than as an other financing source (See Note 16 for details) and the recognition of accrued liabilities.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Monies held by the City are classified by State Statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

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 a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At December 31, 2011, the carrying amount of all City deposits was \$3,667,063 and the bank balance of all City deposits was \$3,891,292. Of the bank balance, \$1,708,037 was exposed to custodial risk as discussed below and \$2,183,255 was covered by the FDIC. Although the securities were held by the pledging institution’s trust department and all statutory requirements for the investment of the money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City’s deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository whose market value at all times shall be at least one hundred five percent of all deposits being secured. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**B. Investments**

Investments are reported at fair value. As of December 31, 2011, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Municipal bonds	\$ 495,684	\$ -	\$ 495,684	\$ -	\$ -	\$ -
FHLB	500,260	-	-	-	-	500,260
FHLMC	1,501,115	-	-	-	500,045	1,001,070
FNMA	3,688,595	-	514,260	1,051,800	-	2,122,535
Total	<u>\$ 6,185,654</u>	<u>\$ -</u>	<u>\$ 1,009,944</u>	<u>\$ 1,051,800</u>	<u>\$ 500,045</u>	<u>\$ 3,623,865</u>

The weighted average maturity of investments is 2.54 years.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

**Credit Risk:** The City's investment in municipal bonds (Marysville, Ohio) were rated Aa3 by Moody's Investor Services. The City's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**Concentration of Credit Risk** - The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Municipal bonds	\$ 495,684	8.01
FHLB	500,260	8.09
FHLMC	1,501,115	24.27
FNMA	3,688,595	59.63
Total	<u>\$ 6,185,654</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2011:

Cash and investments per note

Carrying amount of deposits	\$ 3,667,063
Investments	<u>6,185,654</u>
Total	<u>\$ 9,852,717</u>

Cash and investments per statement of net assets

Governmental activities	\$ 9,250,171
Business-type activities	576,141
Fiduciary funds	<u>26,405</u>
Total	<u>\$ 9,852,717</u>

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2011, consisted primarily of municipal income taxes, property and other taxes, special assessments, intergovernmental receivables arising from entitlements and shared revenues, accrued interest on investments and accounts (billings for user charged services and court fines).

An allowance for doubtful accounts has been recorded in the amount of \$47,591 for ambulance billings that are not expected to be collected.

Special assessments expected to be collected in more than one year amount to \$18,941 in the general fund, \$104,035 in the street construction maintenance and repair fund (a nonmajor governmental fund) and \$935 in the sidewalks fund (a nonmajor governmental fund).

**A. Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Bay Village. The Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.



**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 5 - RECEIVABLES - (Continued)**

The full tax rate for all City operations for the year ended December 31, 2011 was \$14.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 480,299,250
Commercial/industrial/mineral	12,475,770
Public utility	<u>5,677,590</u>
Total assessed value	<u>\$ 498,452,610</u>

**B. Income Tax**

The City levies a municipal income tax of one and one half percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent up to one percent of earnings for income tax paid to another municipality which reduces the effective tax rate to one half 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 Agency administers and collects income taxes for the City. Amounts collected are remitted to the City twice a month.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 5 - RECEIVABLES - (Continued)**

**C. Intergovernmental Receivables**

A summary of the governmental activities intergovernmental receivables follows:

	<u>Amount</u>
Estate tax	\$ 137,175
Local government	274,539
Gasoline tax	166,658
Gasoline excise tax	81,724
Motor vehicle tax	30,503
Permissive tax	8,190
Homestead and rollback	511,867
DARE grant	11,637
OPWC grant - Bradley Road	1,030,220
ODNR grant	68,976
Department of Homeland Security	94,145
FEMA - SAFER grant	26,934
Liquor fees	772
Other	<u>6,679</u>
Total	<u><u>\$ 2,450,019</u></u>

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 6 - CAPITAL ASSETS**

**A. Governmental activities**

Governmental activities capital asset activity for the year ended December 31, 2011 follows:

<b>Governmental activities:</b>	<u>Balance 12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2011</u>
<i>Capital assets, not being depreciated</i>				
Land	\$ 284,067	\$ -	\$ -	\$ 284,067
Construction in progress	81,122	453,747	-	534,869
<i>Total capital assets, not being depreciated</i>	<u>365,189</u>	<u>453,747</u>	<u>-</u>	<u>818,936</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,434,757	91,999	-	2,526,756
Buildings	12,190,171	-	-	12,190,171
Machinery and equipment	3,107,229	45,719	(150,550)	3,002,398
Vehicles	4,466,244	153,540	(196,371)	4,423,413
Infrastructure:				
Roads	16,858,097	-	-	16,858,097
Culverts	143,103	-	-	143,103
Traffic signals	915,500	-	-	915,500
<i>Total capital assets, being depreciated</i>	<u>40,115,101</u>	<u>291,258</u>	<u>(346,921)</u>	<u>40,059,438</u>
Less accumulated depreciation:				
Land improvements	(794,443)	(91,899)	-	(886,342)
Buildings	(2,587,786)	(242,769)	-	(2,830,555)
Machinery and equipment	(2,201,572)	(146,111)	149,293	(2,198,390)
Vehicles	(3,127,511)	(258,821)	190,249	(3,196,083)
Infrastructure:				
Roads	(8,518,149)	(441,238)	-	(8,959,387)
Culverts	(64,594)	(2,633)	-	(67,227)
Traffic signals	(383,482)	(30,516)	-	(413,998)
<i>Total accumulated depreciation</i>	<u>(17,677,537)</u>	<u>(1,213,987)</u>	<u>339,542</u>	<u>(18,551,982)</u>
Total capital assets being depreciated, net	<u>22,437,564</u>	<u>(922,729)</u>	<u>(7,379)</u>	<u>21,507,456</u>
Governmental activities capital assets, net	<u>\$ 22,802,753</u>	<u>\$ (468,982)</u>	<u>\$ (7,379)</u>	<u>\$ 22,326,392</u>

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 6 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 54,704
Security of persons and property	283,688
Public health and welfare	129,004
Transportation	611,252
Basic utility service	23,014
Leisure time activities	93,959
Community environment	<u>18,366</u>
Total depreciation expense	<u>\$ 1,213,987</u>

**B. Business-type activities**

Business-type activities capital asset activity for the year ended December 31, 2011 follows:

<b>Business-type activities:</b>	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
<b><i>Capital assets, not being depreciated:</i></b>				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	<u>-</u>	<u>26,500</u>	<u>-</u>	<u>26,500</u>
<i>Total capital assets, not being depreciated</i>	<u>40,000</u>	<u>26,500</u>	<u>-</u>	<u>66,500</u>
<b><i>Capital assets, being depreciated:</i></b>				
Land improvements	1,003,880	-	-	1,003,880
Buildings	1,721,853	-	-	1,721,853
Machinery and equipment	842,036	-	-	842,036
Vehicles	977,759	245,720	(76,324)	1,147,155
Infrastructure:				
Sewer lines	<u>7,600,911</u>	<u>-</u>	<u>-</u>	<u>7,600,911</u>
<i>Total capital assets, being depreciated</i>	<u>12,146,439</u>	<u>245,720</u>	<u>(76,324)</u>	<u>12,315,835</u>
Less accumulated depreciation:				
Land improvements	(291,691)	(46,375)	-	(338,066)
Buildings	(345,149)	(34,438)	-	(379,587)
Machinery and equipment	(414,049)	(50,206)	-	(464,255)
Vehicles	(562,403)	(51,590)	76,324	(537,669)
Infrastructure:				
Sewer lines	<u>(3,651,623)</u>	<u>(130,061)</u>	<u>-</u>	<u>(3,781,684)</u>
<i>Total accumulated depreciation</i>	<u>(5,264,915)</u>	<u>(312,670)</u>	<u>76,324</u>	<u>(5,501,261)</u>
Total capital assets, being depreciated, net	<u>6,881,524</u>	<u>(66,950)</u>	<u>-</u>	<u>6,814,574</u>
Business-type activities capital assets, net	<u>\$ 6,921,524</u>	<u>\$ (40,450)</u>	<u>\$ -</u>	<u>\$ 6,881,074</u>

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 6 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to the enterprise funds as follows:

Sewer	\$ 203,511
Swimming pool	<u>109,159</u>
Total depreciation expense	<u>\$ 312,670</u>

**NOTE 7 - RISK MANAGEMENT**

**A. Comprehensive**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the City contracted with St. Paul/Travelers and AAIC insurance companies for their insurance. The types and amounts of coverage are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Blanket Property (Building Contents), including Boiler	\$ 29,278,388
Inland Marine (Contractors & Miscellaneous Equipment)	2,360,542
EDP (Computers)	199,645
Automobile Liability, Comprehensive & Collision	1,000,000
General Liability	1,000,000/2,000,000
Public Officials Liability	1,000,000
Employment Practices Liability	1,000,000
Umbrella Liability	10,000,000
Law Enforcement Liability	1,000,000

Settled claims have not exceeded commercial insurance coverage in any of the past three years and there was no significant change in insurance coverage from the prior year.

**B. Workers' Compensation**

In 2011, the City participated in the Ohio Bureau of Workers' Compensation (BWC) retrospective rating and payment system. The rating is based on the claims experience of the prior year and for 2011 the City's discount rate was 62%. The retrospective plan also involves a third party administrator for claims administration and a payment of a minimum premium for administrative services and stop-loss coverage. In 2011, the third party administrator was Benefits One and the City paid them \$5,350. The actual claims costs for injured employees are paid to the BWC and in 2011 the City paid \$139,910 for incurred claims and \$15,601 was calculated for claims payable as of December 31, 2011.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 7 - RISK MANAGEMENT - (Continued)**

Changes in the fund's claims liability amount in 2011 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	\$ 5,920	\$ 149,591	\$ (139,910)	\$ 15,601
2010	-	244,196	(238,276)	5,920

**C. Employee Health Care Benefits**

The City manages health care benefits (medical and prescription drug) 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. An excess coverage insurance (stop-loss) policy covers claims in excess of \$60,000 per employee.

The claims liability of \$91,605 reported in the fund at December 31, 2011, was estimated by reviewing current claims and is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", 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 2010 and 2011 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	\$ 122,945	\$ 1,260,855	\$ (1,292,195)	\$ 91,605
2010	137,791	1,367,226	(1,382,072)	122,945

**NOTE 8 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 8 - PENSION PLANS - (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The City's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$405,477, \$386,899, and \$365,276, respectively; 89.55% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$13,225 made by the City and \$9,446 made by the plan members.

**B. Ohio Police and Fire Pension Fund**

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

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2011, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$204,768 and \$305,229 for the year ended December 31, 2011, \$220,602 and \$342,239 for the year ended December 31, 2010, and \$210,112 and \$334,682, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 72.06% has been contributed for police and 72.72% has been contributed for firefighters for 2011.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 9 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$165,807, \$219,000, and \$261,138, respectively; 89.55% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.



## CITY OF BAY VILLAGE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

#### **NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

#### **B. Ohio Police and Fire Pension Fund**

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

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

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$108,407 and \$119,437 for the year ended December 31, 2011, \$116,790 and \$133,919 for the year ended December 31, 2010, and \$111,236 and \$130,962, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 72.06% has been contributed for police and 72.72% has been contributed for firefighters for 2011.

**NOTE 10 - 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 an employee is entitled to payment for any earned but 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, provided the employee has at least 20 years and 15 years, respectively. 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.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 11 - LONG TERM OBLIGATIONS**

**A. Governmental activities**

The original issue date, interest rate, original issue amount and date of maturity of each of the City's governmental activities bonds and notes follows:

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<b>Governmental activities:</b>				
<i>General obligation bonds:</i>				
Recreation facilities-community gym	2002	2017	4.13%	\$ 1,100,000
Recreation facilities-aquatics facility	2002	2022	4.23%	2,600,000
Police station improvements	2003	2028	4.40%	5,000,000
Street improvements	2004	2011	2.05-3.40%	700,000
Street improvements	2005	2012	3.39%	700,000
Street improvements	2006	2013	3.90-4.00%	700,000
Various purpose	2006	2011	3.90-4.00%	500,000
Street improvements	2007	2014	4.00%	700,000
Various purpose	2007	2014	4.00%	600,000
Street improvements	2008	2014	3.09%	600,000
Various purpose	2008	2014	3.09%	525,000
Police station construction	2011	2026	3.16%	1,625,000

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 11 - LONG TERM OBLIGATIONS - (Continued)**

Changes in governmental activities long-term obligations of the City during 2011 were as follows:

	Balance			Balance	Due
	<u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2011</u>	<u>Within</u>
<b>Governmental activities:</b>					<u>One Year</u>
<i>General obligation bonds:</i>					
Recreation Facilities - community gym	\$ 500,000	\$ -	\$ (75,000)	\$ 425,000	\$ 75,000
Recreation Facilities - aquatics facility	1,560,000	-	(130,000)	1,430,000	130,000
Police Station Improvements	4,050,000	-	(225,000)	3,825,000	225,000
Street Improvements	100,000	-	(100,000)	-	-
Street improvements	200,000	-	(100,000)	100,000	100,000
Street improvements	300,000	-	(100,000)	200,000	100,000
Various purpose	100,000	-	(100,000)	-	-
Street improvements	400,000	-	(100,000)	300,000	100,000
Various purpose	300,000	-	(100,000)	200,000	100,000
Street improvements	400,000	-	(100,000)	300,000	100,000
Various purpose	315,000	-	(105,000)	210,000	105,000
Police station construction	-	1,625,000	-	1,625,000	75,000
<i>Total general obligation bonds</i>	<u>8,225,000</u>	<u>1,625,000</u>	<u>(1,235,000)</u>	<u>8,615,000</u>	<u>1,110,000</u>
<i>Long-term obligations:</i>					
Matured compensated absences	107,542	82,067	(107,542)	82,067	82,067
Compensated absences	<u>1,220,958</u>	<u>116,700</u>	<u>(173,222)</u>	<u>1,164,436</u>	<u>445,601</u>
<i>Total governmental activities</i>	<u>9,553,500</u>	<u>1,823,767</u>	<u>(1,515,764)</u>	<u>9,861,503</u>	<u>1,637,668</u>
Add: unamortized premium	<u>40,302</u>	<u>8,099</u>	<u>(4,801)</u>	<u>43,600</u>	<u>-</u>
Total on statement of net assets	<u>\$ 9,593,802</u>	<u>\$ 1,831,866</u>	<u>\$ (1,520,565)</u>	<u>\$ 9,905,103</u>	<u>\$ 1,637,668</u>

General obligation bonds will be paid from tax money receipted into the debt service fund.

Compensated absences will be paid from the general fund, the emergency paramedic, parks and recreation, youth activities and the street construction special revenue funds and the sewer enterprise fund. However, if compensated absences are paid out at termination (i.e. resignation or retirement), then the balances to which the employee is entitled are paid from the accrued benefits fund (a nonmajor governmental fund).

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 11 - LONG TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire governmental activities long-term general obligation bonds outstanding at December 31, 2011 are as follows:

Year Ending December 31,	General Obligation Bonds		
	Principal	Interest	Total
2012	\$ 1,110,000	\$ 349,141	\$ 1,459,141
2013	1,010,000	308,086	1,318,086
2014	705,000	269,852	974,852
2015	530,000	242,957	772,957
2016	530,000	222,937	752,937
2017 - 2021	2,400,000	814,222	3,214,222
2022 - 2026	1,880,000	339,221	2,219,221
2027 - 2028	450,000	32,400	482,400
Total	<u>\$ 8,615,000</u>	<u>\$ 2,578,816</u>	<u>\$ 11,193,816</u>

**B. Business-type activities**

The original issue date, interest rate, original issue amount and date of maturity of each of the City's business-type activities bonds and loans follows:

<u>Debt issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<b><u>Business-type activities</u></b>				
<b><i>General obligation bonds:</i></b>				
Sewer improvements	2003	2013	3.22%	\$ 500,000
<b><i>OPWC loan</i></b>				
Ohio Public Works Commission loan	2000	2020	0.00%	\$ 714,147

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 11 - LONG TERM OBLIGATIONS - (Continued)**

Changes in business-type activities long-term obligations of the City during 2011 were as follows:

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Business-type activities:</b>					
<i>General obligation bonds:</i>					
Sewer Improvements	\$ 150,000	\$ -	\$ (50,000)	\$ 100,000	\$ 50,000
<i>OPWC loan:</i>					
Ohio Public Works Commission loan	340,069	-	(34,007)	306,062	34,007
Compensated absences	<u>109,872</u>	<u>-</u>	<u>(2,115)</u>	<u>107,757</u>	<u>48,080</u>
<i>Total Business-type activities</i>	<u>\$ 599,941</u>	<u>\$ -</u>	<u>\$ (86,122)</u>	<u>\$ 513,819</u>	<u>\$ 132,087</u>

The sewer improvements general obligation bonds and OPWC loans will be paid with monies from the sewer enterprise fund and is used for sewer improvements.

Compensated absences will be paid from the sewer enterprise fund. However, if compensated absences are paid out at termination (i.e. resignation or retirement), then the balances to which the employee is entitled are paid from the accrued benefits fund.

Principal and interest requirements to retire business-type activities long-term obligations outstanding at December 31, 2011 are as follows:

Year Ending <u>December 31,</u>	<u>Business Type Activities</u>				
	<u>General</u>		<u>OPWC</u>	<u>Total</u>	
	<u>Obligation Bonds</u>			<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 50,000	\$ 4,000	\$ 34,007	\$ 84,007	\$ 4,000
2013	50,000	2,000	34,007	84,007	2,000
2014	-	-	34,006	34,006	-
2015	-	-	34,007	34,007	-
2016	-	-	34,007	34,007	-
2017 - 2020	<u>-</u>	<u>-</u>	<u>136,028</u>	<u>136,028</u>	<u>-</u>
Total	<u>\$ 100,000</u>	<u>\$ 6,000</u>	<u>\$ 306,062</u>	<u>\$ 406,062</u>	<u>\$ 6,000</u>

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 11 - LONG TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2011, the City's total debt margin was \$48,132,917 and the unvoted debt margin was \$27,414,894.

**NOTE 12 - JOINT VENTURE**

**Rocky River Wastewater Treatment Plant**

The Rocky River Wastewater Treatment Plant (the "Plant") is a joint venture among the cities of Fairview Park, Bay Village, Rocky River and Westlake. The Plant is governed by a Management Committee consisting of the elected mayors of the four member cities and a fifth person nominated and elected by the mayors. The Management Committee 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 \$4,635,409 which represents 16.36 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 Boulevard, Rocky River, Ohio 44116.

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

**A. West Shore Council of Governments**

The West Shore 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 2011, the City contributed \$30,555 which represents 10 percent of total contributions. Complete financial information statements can be obtained from the City of Bay Village, 350 Dover Center Road, Bay Village, Ohio 44140.

The Council has established two subsidiary organizations, the West Shore Hazardous Materials Committee ("HAZMAT") which provides hazardous material protection and assistance and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a S.W.A.T team.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

**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 make any contributions to S.A.F.E. in 2011. Complete financial statements can be obtained from the City of Rocky River, 21012 Hilliard Boulevard, Rocky River, Ohio 44116.

**C. West Shore Area Rescue Association**

The West Shore 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 ten 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 2011, the City contributed \$500 which represented 10 percent of total contributions.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 15 - COMMUNITY GYMNASIUM JOINT OPERATING AGREEMENT**

On August 13, 2001, the City entered into a contribution agreement for constructing, equipping and furnishing a Community Gymnasium and a development and use agreement with the Board of Education of the Bay Village City School District (the "School District") for the Community Gymnasium (the "Gym"). Both agreements were amended on February 25, 2002. The initial term of the agreements commenced on the first date the Gym opened for public use and ends thirty years thereafter.



**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 15 - COMMUNITY GYMNASIUM JOINT OPERATING AGREEMENT - (Continued)**

The agreements include termination provisions which allow either the City or the School District to seek 100 percent usage upon request at least two years prior to the expiration of the initial term. Termination provisions require repayment of the initial contribution plus a percent of the cost of major additions. The Gym and joint use areas are owned by the School District.

The development and use agreement includes provisions for capital improvement funding. Under these provisions, both the City and the School District are required to establish and maintain a community gym fund. For the first year of operation, the City and School District contributed \$6,000 and \$3,000, respectively. These amounts will increase three-percent annually and will be used for capital improvements and contracted maintenance as jointly decided.

The City is responsible for maintaining liability insurance for activities in the Gym under the City's supervision with coverage limits not less than \$5,000,000 for bodily injury per person, \$5,000,000 for each occurrence, and \$2,000,000 excess liability umbrella insurance. The School District is responsible for fire and liability insurance. The City and School District also have additional annual obligations for housekeeping, custodial, equipment, supply and utility costs.

**NOTE 16 - LOANS RECEIVABLE/LOANS PAYABLE**

Long-term loans receivable/loans payable at December 31, 2011 as reported on the fund statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General obligation bond retirement fund	Nonmajor governmental funds	\$1,325,000
General obligation bond retirement fund	Sewer fund	<u>230,000</u>
Total loans receivable/loans payable		<u>\$1,555,000</u>

Loans receivable/loans payable are for manuscript debt issued by the City in accordance with Ohio Revised Code Section 133.29 during 2010 and 2011. These loans will be repaid on December 1 each year with the final maturity date of December 1, 2017. Interest rates range from 0.75-2.90%.

Principal and interest requirements to retire the long-term loans outstanding at December 31, 2011 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 270,000	\$ 31,720	\$ 301,720
2013	295,000	28,320	323,320
2014	320,000	23,476	343,476
2015	345,000	17,170	362,170
2016	250,000	9,050	259,050
2017	<u>75,000</u>	<u>2,100</u>	<u>77,100</u>
Total	<u>\$ 1,555,000</u>	<u>\$ 111,836</u>	<u>\$ 1,666,836</u>

Loans between governmental funds are eliminated on the government-wide financial statements. Loan between governmental funds and business-type activities are reported as an internal balance on the government-wide statement of net assets.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 17 - INTERFUND TRANSFERS**

Transfers are primarily from the general fund to various funds within the City. The transfers from the general fund were to help finance the various programs accounted for in other funds.

Transfers made during the year ended December 31, 2011 were as follows:

	<u>Transfer From</u>					<u>Totals</u>
	<u>Governmental Activities</u>					
	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Infrastructure Improvement</u>	<u>Lake Road</u>	<u>Police Station Improvement</u>	
<u>Transfer To</u>						
<u>Governmental activities</u>						
Emergency paramedic	\$ 104,000	\$ -	\$ -	\$ -	\$ -	\$ 104,000
Parks and recreation	347,000	-	-	-	-	347,000
Youth activities	10,000	-	-	-	-	10,000
Street construction, maintenance and repair	175,000	65,000	-	-	-	240,000
Police pension	207,500	-	-	-	-	207,500
Fire pension	187,500	-	-	-	-	187,500
Cahoon Park income	50,000	-	-	-	-	50,000
Cahoon Memorial Park	2,000	-	-	-	-	2,000
Cahoon Library	10,000	-	-	-	-	10,000
Sidewalks	-	-	-	13,000	-	13,000
Public improvements	-	70,000	130,000	29,067	-	229,067
Bond retirement	-	-	-	-	375,000	375,000
Equipment replacement	-	75,000	-	-	-	75,000
<i>Total governmental activities</i>	<u>\$ 1,093,000</u>	<u>\$ 210,000</u>	<u>\$ 130,000</u>	<u>\$ 42,067</u>	<u>\$ 375,000</u>	<u>\$ 1,850,067</u>
<u>Business-Type Activities</u>						
Sewer	\$ -	\$ 91,000	\$ 800,000	\$ -	\$ -	\$ 891,000
<b>Total</b>	<u>\$ 1,093,000</u>	<u>\$ 301,000</u>	<u>\$ 930,000</u>	<u>\$ 42,067</u>	<u>\$ 375,000</u>	<u>\$ 2,741,067</u>

Transfers between governmental funds are eliminated for reporting on the statement of activities. Net transfers between governmental activities and business-type activities are reported on the statement of activities. Transfers out of the general obligation bond retirement to nonmajor governmental funds were to pay down loans payable related to manuscript debt (see Note 16) and transfers to the sewer fund were to move principal and interest to the fund that records the debt proceeds and to pay down loans payable related to manuscript debt. Transfers out of the infrastructure improvement fund to nonmajor governmental funds and the sewer fund were to provide for infrastructure improvements in the City. Transfers out of the Lake Road fund (a nonmajor governmental fund) to other nonmajor governmental funds were related to residual equity transfers. Transfers out of the police station improvement fund (a nonmajor governmental fund) were for debt retirement. All transfers made in 2011 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**NOTE 18 - INTERFUND LOANS RECEIVABLE/PAYABLE**

Interfund balances at December 31, 2011 as reported on the fund statements, consist of the following amounts of interfund loans receivable/payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	\$ 35,000
General obligation bond retirement	Nonmajor governmental fund	395,500
Infrastructure improvement fund	Bradley Road improvement fund	<u>1,500,000</u>
Total		<u>\$1,930,500</u>

The primary purpose of the interfund balances is to cover negative costs in specific funds where revenues were not received by December 31. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances related to due to/due from other funds at December 31, 2011 are reported on the statement of net assets.

**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (13,783)
Net adjustment for revenue accruals	(162,203)
Fair value adjustment for investments	52,239
Net adjustment for expenditure accruals	(115,051)
Net adjustment for other sources/uses	35,000
Funds budgeted elsewhere	(536,158)
Adjustment for encumbrances	<u>95,596</u>
GAAP basis	<u>\$ (644,360)</u>

Certain funds that are legally budgeted in separate funds are considered part of the general fund on a GAAP basis. This includes the general reserve fund, general insurance fund and the Bay Family services fund.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 20 - FUND BALANCE**

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

Fund balance	General	General Obligation Bond Retirement Fund	Bradley Road Improvement Fund	Infrastructure Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Materials and supplies inventory	\$ 11,462	\$ -	\$ -	\$ -	\$ 114,642	\$ 126,104
Prepays	70,098	-	-	-	-	70,098
Long term loans	-	1,555,000	-	-	-	1,555,000
Permanent fund principal	-	-	-	-	163,623	163,623
<b>Total nonspendable</b>	<b>81,560</b>	<b>1,555,000</b>	<b>-</b>	<b>-</b>	<b>278,265</b>	<b>1,914,825</b>
<b>Restricted:</b>						
Debt service	-	-	-	-	19,104	19,104
General government	-	-	-	-	3,924	3,924
Security of persons and property	-	-	-	-	87,204	87,204
Leisure time activities	-	-	-	-	62,191	62,191
Community environment	-	-	-	-	1,346	1,346
Transportation	-	-	-	-	10,227	10,227
Public health and welfare	-	-	-	-	46,439	46,439
Cahoon Park	-	-	-	-	81,066	81,066
Cahoon Library	-	-	-	-	14,219	14,219
Capital improvements	-	-	-	-	14,453	14,453
Permanent fund	-	-	-	-	4,457	4,457
<b>Total restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>344,630</b>	<b>344,630</b>
<b>Committed:</b>						
Capital improvements	-	-	-	2,754,549	2,035,051	4,789,600
Debt service	-	2,836,289	-	-	-	2,836,289
Leisure time activities	-	-	-	-	28,815	28,815
Severance	-	-	-	-	351,623	351,623
Cahoon Park	-	-	-	-	5,927	5,927
General government	27,015	-	-	-	-	27,015
Other purposes	-	-	-	-	545	545
<b>Total committed</b>	<b>27,015</b>	<b>2,836,289</b>	<b>-</b>	<b>2,754,549</b>	<b>2,421,961</b>	<b>8,039,814</b>
<b>Assigned:</b>						
Capital improvements	-	-	-	-	66,003	66,003
Bay family services	15,723	-	-	-	-	15,723
General government	2,014	-	-	-	-	2,014
Community environment	3,764	-	-	-	-	3,764
Security of persons and property	18,174	-	-	-	-	18,174
Utility services	6,244	-	-	-	-	6,244
Transportation	307	-	-	-	-	307
Public health and welfare	180	-	-	-	-	180
Next year appropriations	540,657	-	-	-	-	540,657
<b>Total assigned</b>	<b>587,063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,003</b>	<b>653,066</b>
<b>Unassigned (deficit)</b>	<b>1,279,997</b>	<b>-</b>	<b>(1,093,170)</b>	<b>-</b>	<b>(1,235,765)</b>	<b>(1,048,938)</b>
<b>Total fund balances (deficit)</b>	<b>\$ 1,975,635</b>	<b>\$ 4,391,289</b>	<b>\$ (1,093,170)</b>	<b>\$ 2,754,549</b>	<b>\$ 1,875,094</b>	<b>\$ 9,903,397</b>

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 21 - OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 57,699
Bradley Road improvement	428,380
Other governmental	<u>179,243</u>
Total	<u>\$ 665,322</u>

**NOTE 22 - SUBSEQUENT EVENT**

On April 24, 2012, the City issued \$3,580,000 in general obligation bonds to refund the series 2003 police station improvement bonds. The bonds carry interest rates ranging from 2.00% to 4.00% and have a final maturity date of December 1, 2028.

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of the City Council  
Bay Village, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay Village, Ohio (the “City”) as of and for the year ended December 31, 2011, which collectively comprise the City’s basic financial statements and have issued our report thereon dated May 31, 2012, wherein we noted the City adopted *GASB Statement Nos. 54 and 59*, as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

Members of the City Council  
Bay Village, Ohio

### **Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity and the Auditor of State's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
May 31, 2012





# Dave Yost • Auditor of State

**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  
JULY 24, 2012**