



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF BAY VILLAGE
CUYAHOGA COUNTY
DECEMBER 31, 2019**

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**CITY OF BAY VILLAGE
CUYAHOGA COUNTY
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

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, Cuyahoga County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay Village, Cuyahoga County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

September 10, 2020

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

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, 2019. 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 2019 are as follows:

- The total net position of the City increased \$10,298,050 from 2018's restated net position. Net position of governmental activities increased \$10,725,317 or 137.93% from 2018's restated net position and net position of business-type activities decreased \$427,267 or 4.69% from 2018's net position.
- General revenues accounted for \$18,441,431 or 80.63% of total governmental activities revenue. Program specific revenues accounted for \$4,432,309 or 19.37% of total governmental activities revenue.
- The City had \$12,048,423 in expenses related to governmental activities; \$4,432,309 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$7,616,114 were offset by general revenues (primarily property taxes, municipal income taxes and unrestricted grants and entitlements) of \$18,441,431.
- The general fund had revenues of \$14,018,870 in 2019. The expenditures and other financing uses of the general fund totaled \$13,144,215 in 2019. The net increase in fund balance for the general fund was \$874,655 or 18.39%.
- The general obligation bond retirement fund had revenues and other financing sources of \$4,599,081 in 2019. The expenditures and other financing uses of the general obligation bond retirement fund totaled \$4,023,621 in 2019. The net increase in fund balance for the general obligation bond retirement fund was \$575,460 or 10.80%.
- The general capital improvement fund had revenues and other financing sources of \$4,127,649 in 2019. The expenditures of the general capital improvement fund totaled \$4,222,918 in 2019. The net decrease in fund balance of for the general capital improvement fund was \$95,269 or 106.28%.
- Net position for the business-type activities, which are made up of the sewer and swimming pool enterprise funds, decreased in 2019 by \$427,267.
- The sewer enterprise fund had operating revenues of \$2,552,522 and operating expenses of \$2,578,705. The sewer fund had \$362,205 in non-operating expenses. Net position of the sewer fund decreased \$388,388 or 4.65%.
- The swimming pool enterprise fund had operating revenues of \$316,487 and operating expenses of \$476,787. The swimming pool fund also had \$41,636 in non-operating revenues and had transfers in of \$100,000. The net position of the swimming pool fund decreased \$18,664 or 2.81%.
- In the general fund, the actual revenues and other financing sources came in \$587,949 higher than they were in the final budget and actual expenditures and other financing uses were \$329,189 less than the amount in the final budget. Final budgeted expenditures and other financing uses were \$864,516 more than the original budget and budgeted revenues and other financing sources were increased \$227,698 from the original to the final budget.

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

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 position 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 Position 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 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that net position. This change in net position 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 position 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. The City did not have any 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 11.

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

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 and the capital 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 22-27 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.

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 33-85 of this report.

Required Supplementary Information (RSI)

The RSI contains information regarding the City's proportionate share of the Ohio Public Employees Retirement System's (OPERS) and Ohio Police and Fire (OP&F) net pension liability/net pension asset, net OPEB liability and the City's schedule of contributions to OPERS and OP&F. The RSI can be found on pages 88-102 of this report.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2019 compared to 2018. The net position at December 31, 2018 has been restated as described in Note 3.B.

	Governmental Activities		Business-Type Activities		Total	
	2019	Restated 2018	2019	2018	2019	Restated 2018
<u>Assets</u>						
Current assets	\$ 31,652,862	\$ 28,831,613	\$ 5,000,393	\$ 4,887,616	\$ 36,653,255	\$ 33,719,229
Capital assets, net	27,300,331	23,845,482	7,014,509	7,425,749	34,314,840	31,271,231
Total assets	58,953,193	52,677,095	12,014,902	12,313,365	70,968,095	64,990,460
<u>Deferred outflows of resources</u>	7,725,234	4,170,326	494,716	259,625	8,219,950	4,429,951
<u>Liabilities</u>						
Current liabilities	3,525,779	2,904,979	82,269	100,364	3,608,048	3,005,343
Long-term liabilities:						
Due within one year	859,435	840,887	96,232	95,831	955,667	936,718
Other amounts	34,203,404	34,544,272	3,552,967	2,973,687	37,756,371	37,517,959
Total liabilities	38,588,618	38,290,138	3,731,468	3,169,882	42,320,086	41,460,020
<u>Deferred inflows of resources</u>	9,588,720	10,781,511	100,181	297,872	9,688,901	11,079,383
<u>Net Position</u>						
Net investment in capital assets	18,355,748	16,287,288	5,512,115	5,830,405	23,867,863	22,117,693
Restricted	1,836,697	1,204,733	-	-	1,836,697	1,204,733
Unrestricted	(1,691,356)	(9,716,249)	3,165,854	3,274,831	1,474,498	(6,441,418)
Total net position	\$ 18,501,089	\$ 7,775,772	\$ 8,677,969	\$ 9,105,236	\$ 27,179,058	\$ 16,881,008

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the City's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$27,179,058. At year-end, net positions were \$18,501,089 and \$8,677,969 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 48.35% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, software, vehicles, and infrastructure. Net investment in capital assets at December 31, 2019 was \$18,355,748 and \$5,512,115 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 position, \$1,836,697, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of \$1,691,356.

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

The table below shows the comparative analysis of changes in net position for 2019 compared to 2018. The net position at December 31, 2018 has been restated as described in Note 3.B.

	Change in Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>Restated 2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>Restated 2018</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,566,789	\$ 1,611,179	\$ 2,852,891	\$ 2,741,774	\$ 4,419,680	\$ 4,352,953
Operating grants and contributions	1,372,244	1,103,849	-	-	1,372,244	1,103,849
Capital grants and contributions	<u>1,493,276</u>	<u>63,490</u>	<u>-</u>	<u>-</u>	<u>1,493,276</u>	<u>63,490</u>
Total program revenues	<u>4,432,309</u>	<u>2,778,518</u>	<u>2,852,891</u>	<u>2,741,774</u>	<u>7,285,200</u>	<u>5,520,292</u>
General revenues:						
Property taxes	8,192,425	6,429,631	-	-	8,192,425	6,429,631
Income taxes	7,626,319	7,258,726	-	-	7,626,319	7,258,726
Grants and entitlements	1,730,750	1,388,275	-	-	1,730,750	1,388,275
Investment earnings	516,957	249,434	-	-	516,957	249,434
Miscellaneous	<u>374,980</u>	<u>309,705</u>	<u>16,118</u>	<u>70</u>	<u>391,098</u>	<u>309,775</u>
Total general revenues	<u>18,441,431</u>	<u>15,635,771</u>	<u>16,118</u>	<u>70</u>	<u>18,457,549</u>	<u>15,635,841</u>
Total revenues	<u>22,873,740</u>	<u>18,414,289</u>	<u>2,869,009</u>	<u>2,741,844</u>	<u>25,742,749</u>	<u>21,156,133</u>
Expenses:						
General government	4,191,660	3,841,699	-	-	4,191,660	3,841,699
Security of persons and property	955,161	9,086,475	-	-	955,161	9,086,475
Public health and welfare	811,936	855,291	-	-	811,936	855,291
Transportation	2,362,162	1,724,112	-	-	2,362,162	1,724,112
Community environment	779,576	604,953	-	-	779,576	604,953
Leisure time activity	783,936	949,775	-	-	783,936	949,775
Basic utility services	1,975,480	1,962,394	-	-	1,975,480	1,962,394
Other	-	18,140	-	-	-	18,140
Interest and fiscal charges	174,237	261,832	-	-	174,237	261,832
Note issuance costs	14,275	2,100	-	-	14,275	2,100
Sewer	-	-	2,961,669	2,662,999	2,961,669	2,662,999
Swimming pool	<u>-</u>	<u>-</u>	<u>434,607</u>	<u>517,525</u>	<u>434,607</u>	<u>517,525</u>
Total expenses	<u>12,048,423</u>	<u>19,306,771</u>	<u>3,396,276</u>	<u>3,180,524</u>	<u>15,444,699</u>	<u>22,487,295</u>
Change in net position before transfers	10,825,317	(902,482)	(527,267)	(438,680)	10,298,050	(1,341,162)
Transfers	<u>(100,000)</u>	<u>(110,800)</u>	<u>100,000</u>	<u>110,800</u>	<u>-</u>	<u>-</u>
Change in net position	10,725,317	(1,013,282)	(427,267)	(327,880)	10,298,050	(1,341,162)
Net position at beginning of year (restated)	<u>7,775,772</u>	<u>8,789,054</u>	<u>9,105,236</u>	<u>9,433,116</u>	<u>16,881,008</u>	<u>16,835,406</u>
Net position at end of year	<u>\$ 18,501,089</u>	<u>\$ 7,775,772</u>	<u>\$ 8,677,969</u>	<u>\$ 9,105,236</u>	<u>\$ 27,179,058</u>	<u>\$ 16,881,008</u>

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Governmental Activities

Governmental activities net position increased \$10,725,317 in 2019.

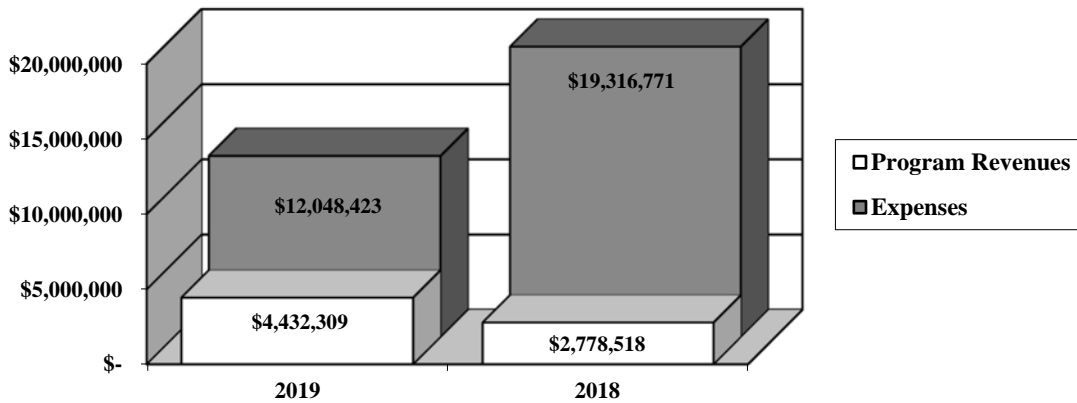
Security of persons and property, which includes police and fire department operations, accounted for \$955,161 or 7.93% of the total expenses of the City. Security of persons and property expenses were partially funded by \$66,771 in direct charges to users of the services. The decrease in security of persons and property expenses was the result of a change in the Ohio Police and Fire (OP&F) pension fund related to OPEB. OP&F switched from a claims-based model to a stipend-based model which significantly decreased the City’s liability and OPEB expenses. General government expenses totaled \$4,191,660. General government expenses were partially funded by \$879,905 in direct charges to users of the services. The decrease in general government expense was due mainly to less costs associated with the City’s net pension liability and net OPEB liability.

The state and federal government contributed to the City a total of \$1,372,244 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of this total, \$1,073,932 subsidized transportation programs.

General revenues totaled \$18,441,431 and amounted to 80.63% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$15,818,744, as well as grants and entitlements not restricted to specific programs, including local government, making up \$1,730,750. Property taxes increased \$1,762,794 due to an increase in property tax collections. This increase was the result of a revaluation of property tax values by the County for tax year 2018/collection year 2019. Income taxes increased \$367,593 due to better than anticipated income tax collection in the City.

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

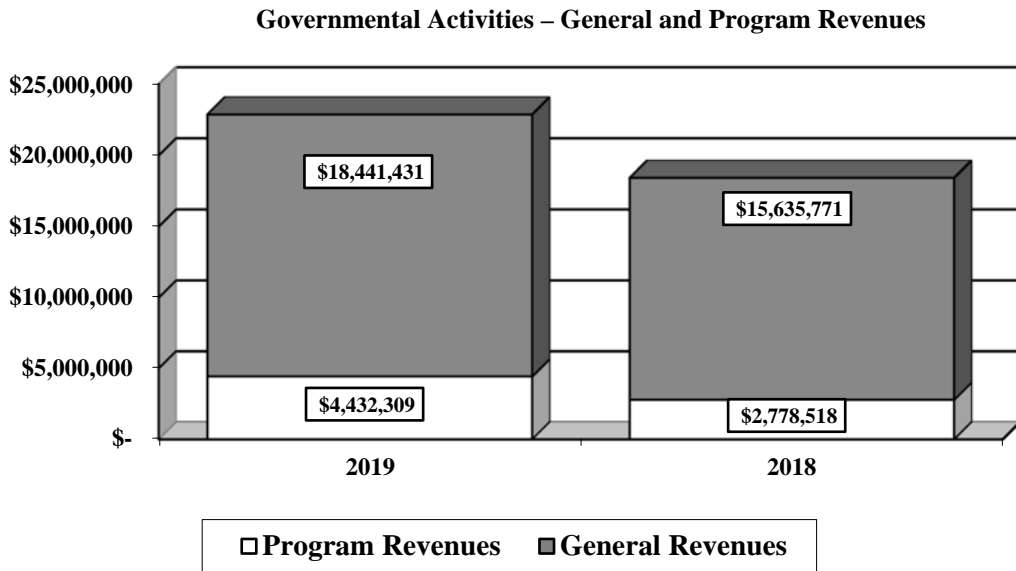
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

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 2019 compared to 2018.

	Governmental Activities			
	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 4,191,660	\$ 3,302,825	\$ 3,841,699	\$ 2,932,623
Security of persons and property	955,161	659,009	9,086,475	8,877,093
Public health and welfare	811,936	768,019	855,291	855,291
Transportation	2,362,162	(202,816)	1,724,112	846,601
Community environment	779,576	389,918	604,953	88,184
Leisure time activities	783,936	535,167	949,775	683,995
Basic utility services	1,975,480	1,975,480	1,962,394	1,962,394
Other	-	-	18,140	18,140
Interest and fiscal charges	174,237	174,237	261,832	261,832
Bond issuance costs	14,275	14,275	2,100	2,100
Total Expenses	\$ 12,048,423	\$ 7,616,114	\$ 19,306,771	\$ 16,528,253

The dependence upon general revenues for governmental activities is apparent, with 63.21% of expenses supported through taxes and other general revenues.

The chart below illustrates the City's program revenues versus general revenues for 2019 and 2018.



Business-Type Activities

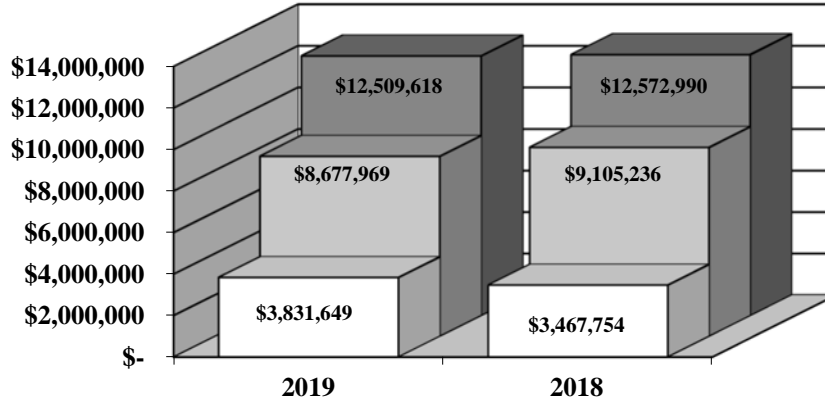
Business-type activities include the sewer and swimming pool enterprise funds. These programs had program revenues of \$2,852,891, general revenues of \$16,118, transfers-in of \$100,000 and expenses of \$3,396,276 for 2019.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at December 31, 2019 and December 31, 2018.

Net Position in Business – Type Activities



Liabilities and deferred inflows
 Net Position
 Assets and deferred outflows

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, unassigned 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 22) reported a combined fund balance of \$16,332,341 which is \$2,146,366 higher than last year's restated total of \$14,185,975. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2019 and 2018 for all major and non-major governmental funds. The fund balances at December 31, 2018 have been restated as described in Note 3.B.

	Fund Balances (deficit) <u>12/31/19</u>	Restated Fund Balances <u>12/31/18</u>	<u>Change</u>
Major funds:			
General	\$ 5,630,779	\$ 4,756,124	\$ 874,655
General obligation bond retirement	5,905,420	5,329,960	575,460
General capital improvement	(5,628)	89,641	(95,269)
Other nonmajor governmental funds	<u>4,801,770</u>	<u>4,010,250</u>	<u>791,520</u>
Total	<u><u>\$ 16,332,341</u></u>	<u><u>\$ 14,185,975</u></u>	<u><u>\$ 2,146,366</u></u>

CITY OF BAY VILLAGE, OHIO

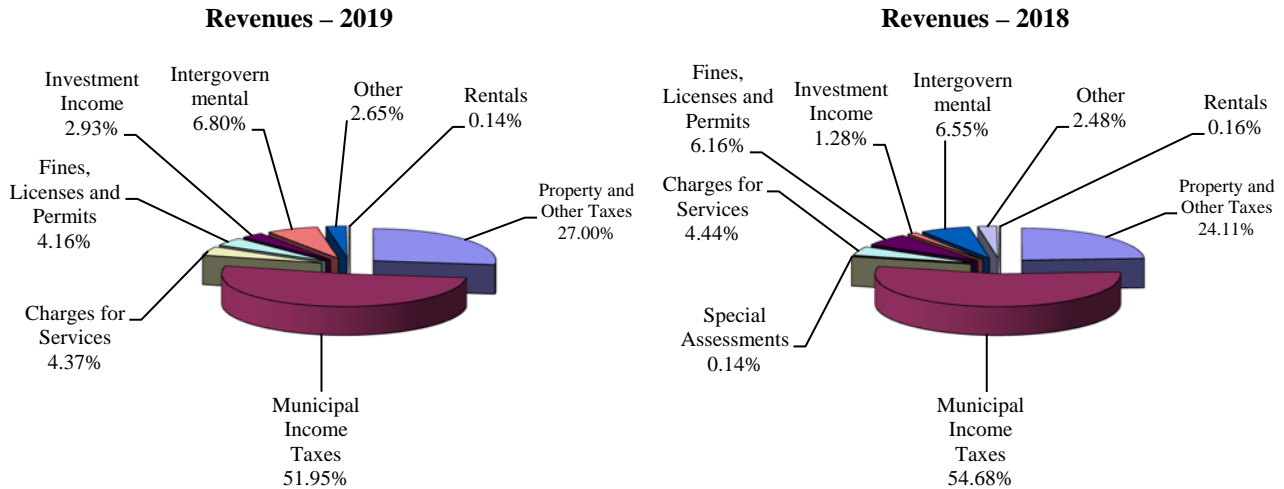
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

General Fund

The City's general fund balance increased \$874,655. The table that follows assists in illustrating the revenues of the general fund.

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
Revenues				
Municipal income taxes	\$ 7,281,137	\$ 6,733,190	\$ 547,947	8.14 %
Property and other taxes	3,785,721	2,970,152	815,569	27.46 %
Charges for services	613,065	547,219	65,846	12.03 %
Fines, licenses and permits	583,426	758,796	(175,370)	(23.11) %
Intergovernmental	953,868	806,862	147,006	18.22 %
Special assessments	-	17,598	(17,598)	(100.00) %
Investment income	410,449	157,639	252,810	160.37 %
Rental income	19,878	19,670	208	1.06 %
Other	371,326	306,052	65,274	21.33 %
Total	<u>\$ 14,018,870</u>	<u>\$ 12,317,178</u>	<u>\$ 1,701,692</u>	<u>13.82 %</u>

Revenue of the general fund increased \$1,701,692 or 13.82%. Tax revenue (income tax, property and other taxes) represents 78.94% of all general fund revenue. Tax revenue increased \$1,363,516 over prior year. The increase in municipal income taxes is primarily due to an increase in income tax collections while the increase in property and other taxes was the result of the County's revaluation of property tax values for tax year 2018/collection year 2019. Fines, licenses and forfeitures decreased \$175,370 or 23.11% primarily due to a decrease in franchising fees, court fines and building permits. Investment income increased \$252,810 or 160.37% due to an increase in interest income.



CITY OF BAY VILLAGE, OHIO

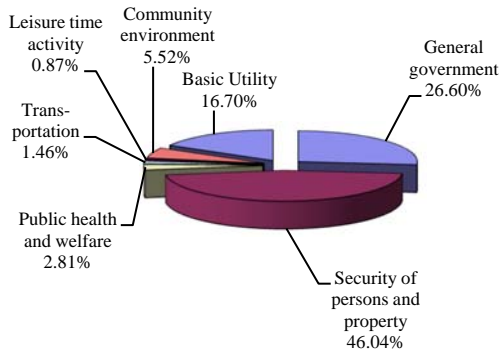
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

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

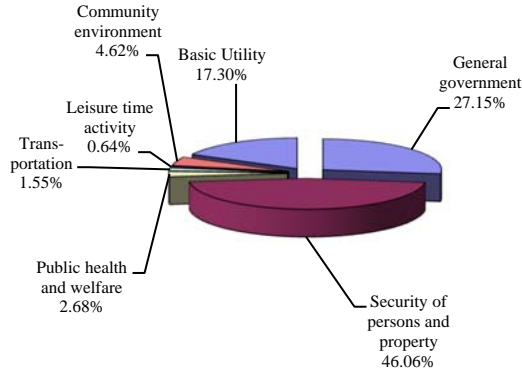
	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government	\$ 3,134,188	\$ 3,029,168	\$ 105,020	3.47 %
Security of persons and property	5,425,183	5,139,960	285,223	5.55 %
Public health and welfare	331,637	299,429	32,208	10.76 %
Transportation	172,317	173,447	(1,130)	(0.65) %
Leisure time activity	103,090	70,863	32,227	45.48 %
Community environment	650,409	515,192	135,217	26.25 %
Basic utility services	<u>1,967,515</u>	<u>1,930,023</u>	<u>37,492</u>	<u>1.94 %</u>
Total	<u>\$ 11,784,339</u>	<u>\$ 11,158,082</u>	<u>\$ 626,257</u>	<u>5.61 %</u>

General fund expenditures increased \$626,257 or 5.61%. The increase in community environment expenditures was due to moving the building department bank to a City operated department instead of an outside contracted company.

Expenditures - 2019



Expenditures - 2018



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 and other financing sources came in \$587,949 higher than they were in the final budget and actual expenditures and other financing uses were \$329,189 less than the amount in the final budget. Final budgeted expenditures and other financing uses were \$864,516 more than the original budget and budgeted revenues and other financing sources were increased \$227,698 from the original to the final budget.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

General Obligation Bond Retirement Fund

The general obligation bond retirement fund had revenues and other financing sources of \$4,599,081 in 2019. The expenditures and other financing uses of the general obligation bond retirement fund totaled \$4,023,621 in 2019. The net increase in fund balance for the general obligation bond retirement fund was \$575,460 or 10.80%. The increase in fund balance is mainly the result of an increase in property tax collections due to a revaluation of property values.

General Capital Improvement Fund

The general capital improvement fund had revenues and other financing sources of \$4,127,649 in 2019. The expenditures of the general capital improvement fund totaled \$4,222,918 in 2019. The net decrease in fund balance of for the general capital improvement fund was \$95,269 or 106.28%.

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 2019, the City had \$34,314,840 (net of accumulated depreciation) invested in land, construction in progress land improvements, buildings, machinery and equipment, software, vehicles, and infrastructure. Of this total, \$27,300,331 was reported in governmental activities and \$7,014,509 was reported in business-type activities.

The following table shows December 31, 2019 balances compared to December 31, 2018:

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

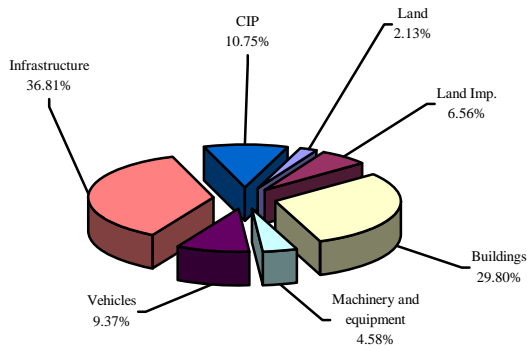
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 581,367	\$ 581,367	\$ 40,000	\$ 40,000	\$ 621,367	\$ 621,367
Construction in Progress	2,934,862	462,293	-	-	2,934,862	462,293
Land improvements	1,791,582	1,607,109	326,670	372,443	2,118,252	1,979,552
Buildings	8,135,435	8,594,578	1,330,467	1,259,190	9,465,902	9,853,768
Machinery and equipment	1,250,224	746,659	95,761	127,924	1,345,985	874,583
Software	-	28,702	-	-	-	28,702
Vehicles	2,557,564	1,414,449	336,373	387,299	2,893,937	1,801,748
Infrastructure						
Roads	9,516,181	9,727,128	-	-	9,516,181	9,727,128
Sewer lines	-	-	4,885,238	5,238,893	4,885,238	5,238,893
Culverts	165,588	280,463	-	-	165,588	280,463
Traffic signals	367,528	402,734	-	-	367,528	402,734
Totals	<u>\$ 27,300,331</u>	<u>\$ 23,845,482</u>	<u>\$ 7,014,509</u>	<u>\$ 7,425,749</u>	<u>\$ 34,314,840</u>	<u>\$ 31,271,231</u>

CITY OF BAY VILLAGE, OHIO

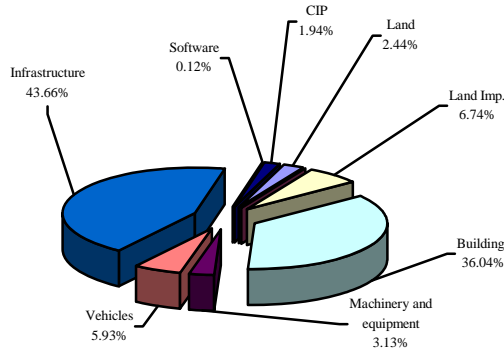
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2019 and 2018.

**Capital Assets - Governmental Activities
December 31, 2019**



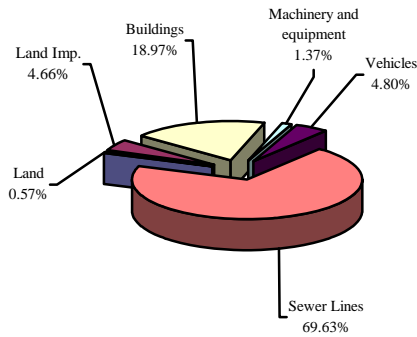
**Capital Assets - Governmental
Activities December 31, 2018**



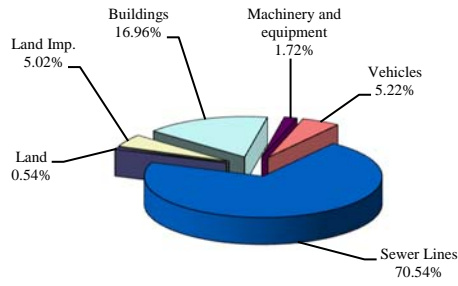
Infrastructure includes roads, culverts and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 36.81% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2019 and 2018.

**Capital Assets - Business-Type Activities
December 31, 2019**



**Capital Assets - Business-Type Activities
December 31, 2018**



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 69.63% of the City's total business-type capital assets.

Further detail on the City's capital assets can be found in Note 6 to the financial statements.

CITY OF BAY VILLAGE, OHIO

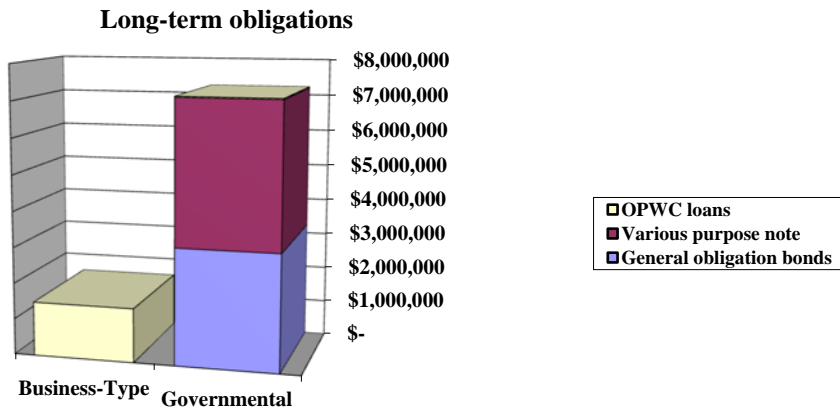
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2019 and 2018:

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 3,230,000	\$ 3,735,000
Various purpose note	3,965,977	2,715,933
OPWC loan	<u>29,227</u>	<u>36,534</u>
 Total long-term obligations	 <u>\$ 7,225,204</u>	 <u>\$ 6,487,467</u>
	Business-type Activities	
	<u>2019</u>	<u>2018</u>
OPWC loans	<u>\$ 1,502,394</u>	<u>\$ 1,595,344</u>
Total long-term obligations	<u>\$ 1,502,394</u>	<u>\$ 1,595,344</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 12 to the financial statements.

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 which includes four parks, a swimming pool and community gym.

The City remains committed to improving facilities and services; the budget process opened discussion on future infrastructure projects to improve storm and sewer lines.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Other highlights:

- The City was able to set aside \$500,000 in excess funds from the General Fund to the Infrastructure Improvement Fund to aid in future projects including EPA mandates of closing sewer over flows.
- A grant from the Ohio Department of Transportation Municipal Bridge Program was awarded to replace Queenswood Bridge. The total amount of the project is \$1,583,561 of which the City's share is \$204,334.85. Construction was substantially complete in 2019.
- The tennis courts at Reese Park were renovated at a total cost of \$143,375. The Reese Park basketball courts will be renovated in 2020 to complete the major improvements for Reese Park.
- The City purchased a new fire truck at a cost of \$849,980.

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 contact: Renee Mahoney, City of Bay Village, 350 Dover Center Road, Bay Village, OH 44140, telephone 440-871-2200 or e-mail at rmahoney@cityofbayvillage.com. Other information about the City is available on our website, www.cityofbayvillage.com.

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CITY OF BAY VILLAGE, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 17,361,234	\$ 861,866	\$ 18,223,100
Receivables:			
Municipal income taxes	2,667,348	-	2,667,348
Property and other taxes	9,546,881	-	9,546,881
Accounts	197,866	390,678	588,544
Accrued interest	35,450	-	35,450
Special assessments	148,264	-	148,264
Intergovernmental	1,450,800	-	1,450,800
Materials and supplies inventory	212,955	2,231	215,186
Prepayments	83,445	910	84,355
Internal balance	(71,045)	71,045	-
Investment in joint venture	-	3,669,626	3,669,626
Net pension asset	19,664	4,037	23,701
Capital assets:			
Non-depreciable capital assets	3,516,229	40,000	3,556,229
Depreciable capital assets, net	23,784,102	6,974,509	30,758,611
Total capital assets, net	<u>27,300,331</u>	<u>7,014,509</u>	<u>34,314,840</u>
Total assets	<u>58,953,193</u>	<u>12,014,902</u>	<u>70,968,095</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	155,865	-	155,865
Pension	6,261,308	441,601	6,702,909
OPEB	1,308,061	53,115	1,361,176
Total deferred outflows of resources	<u>7,725,234</u>	<u>494,716</u>	<u>8,219,950</u>
Liabilities:			
Accounts payable	288,587	10,608	299,195
Contracts payable	526,234	907	527,141
Retainage payable	67,046	-	67,046
Accrued wages and benefits payable	115,423	18,942	134,365
Intergovernmental payable	143,452	11,511	154,963
Payroll withholdings payable	9,931	-	9,931
Accrued interest payable	82,622	-	82,622
Claims payable	118,402	-	118,402
Vacation benefits payable	727,322	40,301	767,623
Note payable	1,334,023	-	1,334,023
Unearned revenue	112,737	-	112,737
Long-term liabilities:			
Due within one year	859,435	96,232	955,667
Due in more than one year:			
Net pension liability	21,962,574	1,426,619	23,389,193
Net OPEB liability	4,845,884	651,070	5,496,954
Other amounts due in more than one year	7,394,946	1,475,278	8,870,224
Total liabilities	<u>38,588,618</u>	<u>3,731,468</u>	<u>42,320,086</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	8,507,625	-	8,507,625
Pension	394,854	67,720	462,574
OPEB	686,241	32,461	718,702
Total deferred inflows of resources	<u>9,588,720</u>	<u>100,181</u>	<u>9,688,901</u>
Net position:			
Net investment in capital assets	18,355,748	5,512,115	23,867,863
Restricted for:			
Debt service	19,104	-	19,104
Capital projects	702,048	-	702,048
Permanent funds:			
Expendable	124,150	-	124,150
Nonexpendable	204,540	-	204,540
Security of persons and property programs	318,028	-	318,028
Public health and welfare programs	75,096	-	75,096
Transportation programs	350,119	-	350,119
Community environment programs	9,204	-	9,204
Leisure time activity programs	16,949	-	16,949
Other purposes	17,459	-	17,459
Unrestricted (deficit)	<u>(1,691,356)</u>	<u>3,165,854</u>	<u>1,474,498</u>
Total net position	<u>\$ 18,501,089</u>	<u>\$ 8,677,969</u>	<u>\$ 27,179,058</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 4,191,660	\$ 879,905	\$ 6,700	\$ 2,230
Security of persons and property	955,161	66,771	229,381	-
Public health and welfare	811,936	36,245	7,672	-
Transportation	2,362,162	-	1,073,932	1,491,046
Community environment	779,576	380,963	8,695	-
Leisure time activity	783,936	202,905	45,864	-
Basic utility services	1,975,480	-	-	-
Interest and fiscal charges	174,237	-	-	-
Note issuance costs	14,275	-	-	-
Total governmental activities	<u>12,048,423</u>	<u>1,566,789</u>	<u>1,372,244</u>	<u>1,493,276</u>
Business-type activities:				
Sewer	2,961,669	2,552,522	-	-
Pool	434,607	300,369	-	-
Total business-type activities	<u>3,396,276</u>	<u>2,852,891</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,444,699</u>	<u>\$ 4,419,680</u>	<u>\$ 1,372,244</u>	<u>\$ 1,493,276</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 position

Net position at beginning of year (restated) . .

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (3,302,825)	\$ -	\$ (3,302,825)
(659,009)	-	(659,009)
(768,019)	-	(768,019)
202,816	-	202,816
(389,918)	-	(389,918)
(535,167)	-	(535,167)
(1,975,480)	-	(1,975,480)
(174,237)	-	(174,237)
(14,275)	-	(14,275)
<u>(7,616,114)</u>	<u>-</u>	<u>(7,616,114)</u>
-	(409,147)	(409,147)
-	<u>(134,238)</u>	<u>(134,238)</u>
-	<u>(543,385)</u>	<u>(543,385)</u>
<u>(7,616,114)</u>	<u>(543,385)</u>	<u>(8,159,499)</u>
3,783,340	-	3,783,340
1,236,934	-	1,236,934
275,293	-	275,293
378,941	-	378,941
378,941	-	378,941
2,138,976	-	2,138,976
7,166,445	-	7,166,445
154,918	-	154,918
304,956	-	304,956
1,730,750	-	1,730,750
516,957	-	516,957
374,980	16,118	391,098
<u>18,441,431</u>	<u>16,118</u>	<u>18,457,549</u>
<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
<u>18,341,431</u>	<u>116,118</u>	<u>18,457,549</u>
10,725,317	(427,267)	10,298,050
<u>7,775,772</u>	<u>9,105,236</u>	<u>16,881,008</u>
<u>\$ 18,501,089</u>	<u>\$ 8,677,969</u>	<u>\$ 27,179,058</u>

CITY OF BAY VILLAGE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>General Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 4,176,054	\$ 5,446,420	\$ 1,105,173	\$ 5,314,403	\$ 16,042,050
Receivables:					
Municipal income taxes	2,507,307	-	106,694	53,347	2,667,348
Property and other taxes	4,408,224	2,492,441	-	2,646,216	9,546,881
Accounts	193,392	-	-	4,474	197,866
Accrued interest	35,391	-	-	59	35,450
Special assessments	-	-	-	148,264	148,264
Intergovernmental	484,919	161,998	127,230	676,653	1,450,800
Interfund loans	-	-	-	115,630	115,630
Loans	-	240,000	-	-	240,000
Materials and supplies inventory	11,067	-	-	201,888	212,955
Prepayments	79,508	-	-	3,937	83,445
Total assets	<u>\$ 11,895,862</u>	<u>\$ 8,340,859</u>	<u>\$ 1,339,097</u>	<u>\$ 9,164,871</u>	<u>\$ 30,740,689</u>
Liabilities:					
Accounts payable	\$ 270,023	\$ -	\$ 2,420	\$ 16,144	\$ 288,587
Contracts payable	-	-	441,358	84,876	526,234
Retainage payable	-	-	67,046	-	67,046
Accrued wages and benefits payable	91,743	-	-	23,680	115,423
Intergovernmental payable	54,298	-	-	89,154	143,452
Interfund loans payable	-	-	115,630	-	115,630
Payroll withholdings payable	9,931	-	-	-	9,931
Loans payable	-	-	-	240,000	240,000
Unearned revenue	-	-	-	112,737	112,737
Note payable	-	-	603,152	730,871	1,334,023
Total liabilities	<u>425,995</u>	<u>-</u>	<u>1,229,606</u>	<u>1,297,462</u>	<u>2,953,063</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	3,941,367	2,213,588	-	2,352,670	8,507,625
Delinquent property tax revenue not available	105,857	59,853	-	63,546	229,256
Accrued interest not available	14,777	-	-	59	14,836
Special assessments revenue not available	-	-	-	121,230	121,230
Miscellaneous revenue not available	117,389	-	-	472	117,861
Income tax revenue not available	1,248,309	-	53,119	26,560	1,327,988
Intergovernmental revenue not available	411,389	161,998	62,000	501,102	1,136,489
Total deferred inflows of resources	<u>5,839,088</u>	<u>2,435,439</u>	<u>115,119</u>	<u>3,065,639</u>	<u>11,455,285</u>
Fund balances:					
Nonspendable	97,436	-	-	410,365	507,801
Restricted	-	-	-	1,351,601	1,351,601
Committed	-	5,905,420	-	3,709,705	9,615,125
Assigned	238,208	-	-	-	238,208
Unassigned (deficit)	<u>5,295,135</u>	<u>-</u>	<u>(5,628)</u>	<u>(669,901)</u>	<u>4,619,606</u>
Total fund balances (deficit)	<u>5,630,779</u>	<u>5,905,420</u>	<u>(5,628)</u>	<u>4,801,770</u>	<u>16,332,341</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,895,862</u>	<u>\$ 8,340,859</u>	<u>\$ 1,339,097</u>	<u>\$ 9,164,871</u>	<u>\$ 30,740,689</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total governmental fund balances		\$	16,332,341
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			27,300,331
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Municipal income taxes receivable	\$	1,327,988	
Property and other taxes receivable		229,256	
Accounts receivable		117,861	
Accrued interest receivable		14,836	
Special assessments receivable		121,230	
Intergovernmental receivable		1,136,489	
Total		2,947,660	2,947,660
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 position. The net position of the internal services fund, including internal balance of (\$71,045) are:			1,129,737
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(82,622)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			155,865
Vacation benefits payable are not expected to be paid with expendable available resources and therefore are not reported in the funds.			(727,322)
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		(923,264)	
Various purpose notes		(3,965,977)	
OPWC loan		(29,227)	
General obligation bonds payable		(3,230,000)	
Bond premiums		(105,913)	
Total		(8,254,381)	(8,254,381)
The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows of resources - pension		6,261,308	
Deferred inflows of resources - pension		(394,854)	
Net pension asset		19,664	
Net pension liability		(21,962,574)	
Total		(16,076,456)	(16,076,456)
The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources		1,308,061	
Deferred inflows of resources		(686,241)	
Net OPEB liability		(4,845,884)	
Total		(4,224,064)	(4,224,064)
Net position of governmental activities		\$	18,501,089

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>General Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$ 7,281,137	\$ -	\$ 309,836	\$ 154,918	\$ 7,745,891
Property and other taxes	3,785,721	2,140,321	-	2,271,536	8,197,578
Charges for services.	613,065	-	-	238,599	851,664
Licenses and permits	-	-	-	1,171	1,171
Fines, licenses and permits	583,426	-	-	6,526	589,952
Intergovernmental.	953,868	323,994	1,349,995	1,227,681	3,855,538
Special assessments	-	-	-	63,951	63,951
Investment income.	410,449	110,488	-	17,570	538,507
Rental income	19,878	-	-	-	19,878
Contributions and donations.	-	-	-	18,036	18,036
Other	371,326	3,653	77,434	317,178	769,591
Total revenues	<u>14,018,870</u>	<u>2,578,456</u>	<u>1,737,265</u>	<u>4,317,166</u>	<u>22,651,757</u>
Expenditures:					
Current:					
General government	3,134,188	-	-	2,750	3,136,938
Security of persons and property	5,425,183	-	-	2,363,593	7,788,776
Public health and welfare.	331,637	-	-	30,804	362,441
Transportation	172,317	-	-	932,875	1,105,192
Community environment	650,409	-	-	55,417	705,826
Leisure time activity	103,090	-	-	694,668	797,758
Basic utility services	1,967,515	-	-	-	1,967,515
Capital outlay	-	-	4,221,934	857,082	5,079,016
Debt service:					
Principal retirement.	-	3,228,240	-	-	3,228,240
Interest and fiscal charges	-	207,036	984	12,934	220,954
Note issuance costs	-	14,275	-	-	14,275
Total expenditures	<u>11,784,339</u>	<u>3,449,551</u>	<u>4,222,918</u>	<u>4,950,123</u>	<u>24,406,931</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,234,531</u>	<u>(871,095)</u>	<u>(2,485,653)</u>	<u>(632,957)</u>	<u>(1,755,174)</u>
Other financing sources (uses):					
Note issuance	-	1,985,062	1,980,915	-	3,965,977
Transfers in	-	-	409,469	1,424,477	1,833,946
Transfers (out).	(1,359,876)	(574,070)	-	-	(1,933,946)
Premium on note issuance.	-	35,563	-	-	35,563
Total other financing sources (uses)	<u>(1,359,876)</u>	<u>1,446,555</u>	<u>2,390,384</u>	<u>1,424,477</u>	<u>3,901,540</u>
Net change in fund balances	874,655	575,460	(95,269)	791,520	2,146,366
Fund balances					
at beginning of year (restated)	<u>4,756,124</u>	<u>5,329,960</u>	<u>89,641</u>	<u>4,010,250</u>	<u>14,185,975</u>
Fund balances (deficit) at end of year.	<u>\$ 5,630,779</u>	<u>\$ 5,905,420</u>	<u>\$ (5,628)</u>	<u>\$ 4,801,770</u>	<u>\$ 16,332,341</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2019

Net change in fund balances - total governmental funds	\$	2,146,366
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 5,569,107	
Current year depreciation	<u>(2,022,692)</u>	
Total		3,546,415
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(91,566)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	(122,011)	
Property and other taxes	(5,153)	
Charges for services	(16,604)	
Intergovernmental	261,720	
Special assessments	108,011	
Investment income	<u>(3,980)</u>	
Total		221,983
 Proceeds of notes are reported as an other financing 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 position.		
		(3,965,977)
 Repayment of bond, note and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		3,228,240

--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, 2019

In the statement of activities, interest is accrued on outstanding bonds and City owned debt, whereas in governmental funds, an interest expenditure is reported when due.

Accrued interest payable	\$	16,542	
Amortization of deferred amounts on refunding		(17,481)	
Amortization of bond premiums		<u>12,093</u>	
Total	\$		11,154

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

Pension		1,461,797	
OPEB		<u>23,207</u>	
Total			1,485,004

Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension		(3,639,596)	
OPEB		<u>8,088,091</u>	
Total			4,448,495

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

Compensated absences		(57,058)	
Vacation benefits payable		<u>(94,447)</u>	
Total			(151,505)

Two internal service funds 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 are allocated among the governmental activities.

(153,292)

Change in net position of governmental activities

\$ 10,725,317

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 6,680,277	\$ 6,798,000	\$ 7,045,424	\$ 247,424
Property and other taxes.	3,523,036	3,585,120	3,790,721	205,601
Charges for services.	550,322	560,020	593,162	33,142
Fines, licenses and permits	623,168	634,150	636,847	2,697
Intergovernmental.	937,543	954,065	940,206	(13,859)
Investment income.	196,537	200,000	243,159	43,159
Rental income	21,128	21,500	19,878	(1,622)
Other	109,078	111,000	182,407	71,407
Total revenues	<u>12,641,089</u>	<u>12,863,855</u>	<u>13,451,804</u>	<u>587,949</u>
Expenditures:				
Current:				
General government	3,109,444	3,187,464	3,055,349	132,115
Security of persons and property	5,501,333	5,640,589	5,576,583	64,006
Public health and welfare.	290,253	299,479	285,026	14,453
Transportation	192,799	192,799	185,274	7,525
Community environment	776,330	844,794	783,542	61,252
Leisure time activity	117,724	117,724	107,758	9,966
Utility services	2,156,027	2,156,027	2,116,155	39,872
Total expenditures	<u>12,143,910</u>	<u>12,438,876</u>	<u>12,109,687</u>	<u>329,189</u>
Excess of revenues over expenditures.	<u>497,179</u>	<u>424,979</u>	<u>1,342,117</u>	<u>917,138</u>
Other financing sources (uses):				
Advances in and not repaid	279,876	284,808	284,808	-
Transfers (out).	(866,876)	(1,436,426)	(1,436,426)	-
Total other financing sources (uses)	<u>(587,000)</u>	<u>(1,151,618)</u>	<u>(1,151,618)</u>	<u>-</u>
Net change in fund balances	(89,821)	(726,639)	190,499	917,138
Fund balances at beginning of year	932,930	932,930	932,930	-
Prior year encumbrances appropriated . . .	495,038	495,038	495,038	-
Fund balance at end of year	<u>\$ 1,338,147</u>	<u>\$ 701,329</u>	<u>\$ 1,618,467</u>	<u>\$ 917,138</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Pool	Total	
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 835,367	\$ 26,499	\$ 861,866	\$ 1,319,184
Receivables:				
Accounts	390,463	215	390,678	-
Materials and supplies inventory	2,231	-	2,231	-
Prepayments	383	527	910	-
Total current assets	1,228,444	27,241	1,255,685	1,319,184
Noncurrent assets:				
Investment in joint venture	3,669,626	-	3,669,626	-
Net pension asset	3,084	953	4,037	-
Capital assets:				
Non-depreciable capital assets	40,000	-	40,000	-
Depreciable capital assets, net	5,915,205	1,059,304	6,974,509	-
Total capital assets, net	5,955,205	1,059,304	7,014,509	-
Total noncurrent assets	9,627,915	1,060,257	10,688,172	-
Total assets	10,856,359	1,087,498	11,943,857	1,319,184
Deferred outflows of resources:				
Pension	339,690	101,911	441,601	-
OPEB	40,975	12,140	53,115	-
Total deferred outflows of resources	380,665	114,051	494,716	-
Liabilities:				
Current liabilities:				
Accounts payable	9,355	1,253	10,608	-
Contracts payable	907	-	907	-
Accrued wages and benefits payable	18,942	-	18,942	-
Claims payable	-	-	-	118,402
Intergovernmental payable	11,386	125	11,511	-
Vacation benefits payable	40,301	-	40,301	-
Compensated absences payable	3,282	-	3,282	-
OPWC loans payable	92,950	-	92,950	-
Total current liabilities	177,123	1,378	178,501	118,402
Long-term liabilities:				
Compensated absences payable	65,834	-	65,834	-
OPWC loans payable	1,409,444	-	1,409,444	-
Net OPEB liability	497,335	153,735	651,070	-
Net pension liability	1,089,756	336,863	1,426,619	-
Total long-term liabilities	3,062,369	490,598	3,552,967	-
Total liabilities	3,239,492	491,976	3,731,468	118,402
Deferred inflows of resources:				
Pension	28,078	39,642	67,720	-
OPEB	8,993	23,468	32,461	-
Total deferred inflows of resources	37,071	63,110	100,181	-
Net position:				
Net investment in capital assets	4,452,811	1,059,304	5,512,115	-
Unrestricted (deficit)	3,507,650	(412,841)	3,094,809	1,200,782
Total net position	\$ 7,960,461	\$ 646,463	8,606,924	\$ 1,200,782
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			71,045	
Net position of business-type activities			\$ 8,677,969	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	Activities - Internal Service Funds
Operating revenues:				
Charges for services	\$ 2,552,522	\$ 300,369	\$ 2,852,891	\$ 1,229,318
Other	-	16,118	16,118	433,257
Total operating revenues.	<u>2,552,522</u>	<u>316,487</u>	<u>2,869,009</u>	<u>1,662,575</u>
Operating expenses:				
Personal services	649,264	201,056	850,320	-
Benefits.	438,950	71,067	510,017	-
Contract services.	942,196	48,068	990,264	62,429
Materials and supplies.	74,679	77,627	152,306	-
Depreciation.	473,616	78,969	552,585	-
Claims expense	-	-	-	1,773,653
Total operating expenses.	<u>2,578,705</u>	<u>476,787</u>	<u>3,055,492</u>	<u>1,836,082</u>
Operating loss	<u>(26,183)</u>	<u>(160,300)</u>	<u>(186,483)</u>	<u>(173,507)</u>
Nonoperating revenues (expenses):				
Gain (loss) on disposal of capital assets	(56,197)	41,636	(14,561)	-
Equity loss in joint venture	(306,008)	-	(306,008)	-
Total nonoperating revenues (expenses).	<u>(362,205)</u>	<u>41,636</u>	<u>(320,569)</u>	<u>-</u>
Loss before transfers	(388,388)	(118,664)	(507,052)	(173,507)
Transfer in	-	100,000	100,000	-
Change in net position	(388,388)	(18,664)	(407,052)	(173,507)
Net position at beginning of year	<u>8,348,849</u>	<u>665,127</u>		<u>1,374,289</u>
Net position at end of year	<u>\$ 7,960,461</u>	<u>\$ 646,463</u>		<u>\$ 1,200,782</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.			<u>(20,215)</u>	
Change in net position of business-type activities.			<u>\$ (427,267)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from charges for services	\$ 2,540,415	\$ 300,154	\$ 2,840,569	\$ -
Cash received from transactions with other funds . . .	-	-	-	1,229,318
Cash received from other operations	-	16,118	16,118	433,257
Cash payments for personal services	(633,320)	(200,944)	(834,264)	-
Cash payments for employee services and benefits . . .	(238,198)	(32,508)	(270,706)	-
Cash payments for contractual services	(970,625)	(48,380)	(1,019,005)	(62,429)
Cash payments for materials and supplies	(74,917)	(77,627)	(152,544)	-
Cash payments for claims	-	-	-	(1,748,279)
Net cash provided by (used in) operating activities	<u>623,355</u>	<u>(43,187)</u>	<u>580,168</u>	<u>(148,133)</u>
Cash flows from noncapital financing activities:				
Cash received from transfers in	-	100,000	100,000	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(116,881)	(39,025)	(155,906)	-
Principal retirement on OPWC loans	(92,950)	-	(92,950)	-
Net cash used in capital and related financing activities	<u>(209,831)</u>	<u>(39,025)</u>	<u>(248,856)</u>	<u>-</u>
Cash flows from investing activities:				
Capital contributed to joint venture	(261,488)	-	(261,488)	-
Net cash used in investing activities	<u>(261,488)</u>	<u>-</u>	<u>(261,488)</u>	<u>-</u>
Net change in cash and investments	152,036	17,788	169,824	(148,133)
Cash and investments at beginning of year	<u>683,331</u>	<u>8,711</u>	<u>692,042</u>	<u>1,467,317</u>
Cash and investments at end of year	<u>\$ 835,367</u>	<u>\$ 26,499</u>	<u>\$ 861,866</u>	<u>\$ 1,319,184</u>

- - Continued

CITY OF BAY VILLAGE, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	
Reconciliation of loss to net cash provided by (used in) operating activities:				
Operating loss	\$ (26,183)	\$ (160,300)	\$ (186,483)	\$ (173,507)
Adjustments:				
Depreciation	473,616	78,969	552,585	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Materials and supplies inventory	(238)	-	(238)	-
Accounts receivable.	(11,927)	(215)	(12,142)	-
Net pension asset.	3,470	1,572	5,042	-
Prepayments	(170)	-	(170)	-
Deferred outflows - pension	(181,775)	(42,324)	(224,099)	-
Deferred outflows - OPEB	(10,567)	(425)	(10,992)	-
Accounts payable	(5,124)	(271)	(5,395)	-
Contracts payable	907	-	907	-
Accrued wages and benefits	6,420	-	6,420	-
Intergovernmental payable.	(25,669)	71	(25,598)	-
Compensated absences payable	5,580	-	5,580	-
Vacation benefits payable	5,391	-	5,391	-
Claims payable	-	-	-	25,374
Net pension liability	482,414	102,871	585,285	-
Net OPEB liability	86,366	(4,600)	81,766	-
Deferred inflows - pension	(142,889)	(25,247)	(168,136)	-
Deferred inflows - OPEB	(36,267)	6,712	(29,555)	-
Net cash provided by (used in) operating activities	<u>\$ 623,355</u>	<u>\$ (43,187)</u>	<u>\$ 580,168</u>	<u>\$ (148,133)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus”. A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds, 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 13).

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 14.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City are presented as of December 31, 2019 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (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 more significant of the City's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund are 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 position 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 Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. 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 two categories of funds: governmental and proprietary.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 plus deferred outflows of resources less liabilities plus deferred inflows of resources is reported as fund balance.

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.

General capital improvement fund - This fund is used to account for income taxes and intergovernmental revenues that are committed and restricted for capital improvements within 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 position, 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.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (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, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary fund is charges for sales and services. Operating expenses for the proprietary fund includes personnel and other expenses related to the sewer operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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 inflows 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, 2019

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 are 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 Revenues – The City defers revenue recognition in connection with resources that have been received, but not earned. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. Unearned revenue consists primarily of deposits held for various programs.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 8 and 9 for deferred outflows of resources related to the City’s net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 8 and 9 for deferred inflows of resources related to the City’s net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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".

During the year, the City's investments were limited to Federal Home Loan Bank (FHLB) securities, negotiable certificates of deposit, a U.S. government money market and STAR Ohio. 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 are reported at cost.

During 2019, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2019 amounted to \$410,449, which includes \$357,668 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. Inventories of Materials and Supplies

On the government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when used.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

G. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2019 are recorded as prepayments 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 position, 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 position 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 by using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10 - 20 years
Buildings	20 - 50 years
Machinery and equipment	5 - 20 years
Software	10 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.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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”. In the general fund, long-term interfund loans which do not represent available expendable resources are offset by a nonspendable fund balance. At year-end, the City had \$240,000 in loans receivable/loans payable related to internal borrowings (manuscript bonds). Interfund balance amounts are eliminated in the statement of net position, 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, net pension liability 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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.

M. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is 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 position reports \$1,836,697 of restricted net position, none of which is restricted by enabling legislation. Net position 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 position is available.

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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.

O. Bond Issuance Costs

Bond issuance costs are expensed when they occur.

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 position is presented in Note 12.

Q. Unamortized Amount on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources (loss) or deferred inflow of resources (gain).

R. 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.

S. Budgetary Process

All funds, except custodial 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.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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.

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 did not have either for 2019.

V. Pensions/Other Postemployment Benefits (OPEB)

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

W. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2019, the City has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84, "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental or proprietary funds. These fund reclassifications resulted in the restatement of the City’s financial statements.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the City.

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at December 31, 2018:

	General	General Obligation Bond Retirement	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Retirement</u>	<u>Improvement</u>	<u>Funds</u>	<u>Funds</u>
Fund Balance as previously reported	\$ 4,756,124	\$ 5,329,960	\$ 89,641	\$ 3,964,648	\$ 14,140,373
GASB Statement No. 84	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,602</u>	<u>45,602</u>
Restated Fund Balance, at December 31, 2018	<u>\$ 4,756,124</u>	<u>\$ 5,329,960</u>	<u>\$ 89,641</u>	<u>\$ 4,010,250</u>	<u>\$ 14,185,975</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at December 31, 2018:

	Governmental Activities
Net position as previously reported	\$ 7,730,170
GASB Statement No. 84	45,602
Restated net position at December 31, 2018	\$ 7,775,772

Also, related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and liabilities of \$154,287.

C. Deficit Fund Balances

Fund balances at December 31, 2019 included the following individual fund deficits:

<u>Major funds</u>	<u>Deficit</u>
General capital improvement fund	\$ 5,628
<u>Nonmajor fund</u>	
Equipment replacement fund	667,472

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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.

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, and Government National Mortgage 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the 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, 2019, the carrying amount of all City deposits was \$1,204,676 and the bank balance of all City deposits was \$1,360,937. Of the bank balance, \$523,373 was covered by the FDIC and the remaining was either covered by the Ohio Pooled Collateral System or exposed to custodial credit risk as described below.

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. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the City's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although 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, 2019, the City had the following investments:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
Negotiable CDs	\$ 11,272,950	\$ 1,952,665	\$ 503,795	\$ 2,252,771	\$ 2,714,192	\$ 3,849,527
US Government money market	1,009,231	1,009,231	-	-	-	-
FHLB	801,664	-	-	801,664	-	-
<i>Amortized Cost:</i>						
STAR Ohio	<u>3,934,579</u>	<u>3,934,579</u>	-	-	-	-
Total	<u>\$ 17,018,424</u>	<u>\$ 6,896,475</u>	<u>\$ 503,795</u>	<u>\$ 3,054,435</u>	<u>\$ 2,714,192</u>	<u>\$ 3,849,527</u>

The weighted average maturity of investments is 1.23 years.

The City's investments in U.S. government money markets are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities (FHLB) and negotiable certificates of deposits are valued using quoted prices in markets that are not considered to be active dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested 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.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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: Standard & Poor’s has assigned the U.S. government money market an AAAM money market rating. The City’s investments in federal agency securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. STAR Ohio carries a rating of AAAM by Standard & Poor’s. The City’s investments in negotiable certificates of deposits are not rated. 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, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% to Total</u>
<i>Fair value:</i>		
Negotiable CDs	\$ 11,272,950	66.24%
US Government money market	1,009,231	5.93%
FHLB	801,664	4.71%
<i>Amortized Cost:</i>		
STAR Ohio	<u>3,934,579</u>	<u>23.12%</u>
Total	<u>\$ 17,018,424</u>	<u>100.00%</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of December 31, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,204,676
Investments	<u>17,018,424</u>
Total	<u>\$ 18,223,100</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 17,361,234
Business-type activities	<u>861,866</u>
Total	<u>\$ 18,223,100</u>

NOTE 5 - RECEIVABLES

Receivables at December 31, 2019, 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).

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 - RECEIVABLES - (Continued)

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 proceeding 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. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Auditor collects property taxes on behalf of all taxing districts in the County, including the City of Bay Village. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2019 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2019 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources 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 a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2019 was \$14.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 609,408,370
Commercial/industrial/mineral	13,046,370
Public utility	<u>11,242,120</u>
Total assessed value	<u><u>\$ 633,696,860</u></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.

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5 - RECEIVABLES - (Continued)

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, 94% of the annual income tax proceeds were credited to the general fund, 2% to the accrued benefits special revenue fund, a nonmajor governmental fund, and 4% to the general capital improvement fund, a nonmajor governmental fund, for 2019.

The Regional Income Tax Agency administers and collects income taxes for the City. Amounts collected are remitted to the City twice a month.

C. Intergovernmental Receivables

A summary of the governmental activities intergovernmental receivables follows:

	<u>Amount</u>
Local government	\$ 193,676
Gasoline tax	396,220
Gasoline excise tax	43,668
Motor vehicle tax	55,766
Homestead and rollback	630,503
Other	<u>130,967</u>
Total	<u><u>\$ 1,450,800</u></u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 - CAPITAL ASSETS

A. Governmental Activities

Governmental activities capital asset activity for the year ended December 31, 2019 follows:

Governmental activities:	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
<i>Capital assets, not being depreciated:</i>				
Land	\$ 581,367	\$ -	\$ -	\$ 581,367
Construction in progress	462,293	2,606,921	(134,352)	2,934,862
<i>Total capital assets, not being depreciated</i>	<u>1,043,660</u>	<u>2,606,921</u>	<u>(134,352)</u>	<u>3,516,229</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,024,178	328,571	-	3,352,749
Buildings	14,126,794	23,413	(219,452)	13,930,755
Machinery and equipment	3,368,987	585,265	(57,383)	3,896,869
Software	47,838	-	-	47,838
Vehicles	5,648,489	1,447,389	(845,220)	6,250,658
Infrastructure:				
Roads	22,421,822	711,900	-	23,133,722
Culverts	498,994	-	-	498,994
Traffic signals	1,056,130	-	-	1,056,130
<i>Total capital assets, being depreciated</i>	<u>50,193,232</u>	<u>3,096,538</u>	<u>(1,122,055)</u>	<u>52,167,715</u>
Less accumulated depreciation:				
Land improvements	(1,417,069)	(144,098)	-	(1,561,167)
Buildings	(5,532,216)	(289,666)	26,562	(5,795,320)
Machinery and equipment	(2,622,328)	(181,725)	157,408	(2,646,645)
Software	(19,136)	(28,702)	-	(47,838)
Vehicles	(4,234,040)	(305,573)	846,519	(3,693,094)
Infrastructure:				
Roads	(12,694,694)	(922,847)	-	(13,617,541)
Culverts	(218,531)	(114,875)	-	(333,406)
Traffic signals	(653,396)	(35,206)	-	(688,602)
<i>Total accumulated depreciation</i>	<u>(27,391,410)</u>	<u>(2,022,692)</u>	<u>1,030,489</u>	<u>(28,383,613)</u>
Total capital assets being depreciated, net	<u>22,801,822</u>	<u>1,073,846</u>	<u>(91,566)</u>	<u>23,784,102</u>
Governmental activities capital assets, net	<u>\$ 23,845,482</u>	<u>\$ 3,680,767</u>	<u>\$ (225,918)</u>	<u>\$ 27,300,331</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 133,787
Security of persons and property	268,808
Public health and welfare	305,975
Transportation	1,125,374
Leisure time activities	145,172
Community environment	<u>43,576</u>
Total depreciation expense	<u>\$ 2,022,692</u>

B. Business-Type Activities

Business-type activities capital asset activity for the year ended December 31, 2019 follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
<i>Total capital assets, not being depreciated</i>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	991,826	-	-	991,826
Buildings	2,061,251	115,682	-	2,176,933
Machinery and equipment	977,946	40,224	(81,630)	936,540
Vehicles	1,005,889	-	(20,385)	985,504
Infrastructure:				
Sewer lines	<u>10,306,414</u>	<u>-</u>	<u>-</u>	<u>10,306,414</u>
<i>Total capital assets, being depreciated</i>	<u>15,343,326</u>	<u>155,906</u>	<u>(102,015)</u>	<u>15,397,217</u>
Less accumulated depreciation:				
Land improvements	(619,383)	(45,773)	-	(665,156)
Buildings	(802,061)	(44,405)	-	(846,466)
Machinery and equipment	(850,022)	(22,846)	32,089	(840,779)
Vehicles	(618,590)	(85,906)	55,365	(649,131)
Infrastructure:				
Sewer lines	<u>(5,067,521)</u>	<u>(353,655)</u>	<u>-</u>	<u>(5,421,176)</u>
<i>Total accumulated depreciation</i>	<u>(7,957,577)</u>	<u>(552,585)</u>	<u>87,454</u>	<u>(8,422,708)</u>
Total capital assets, being depreciated, net	<u>7,385,749</u>	<u>(396,679)</u>	<u>(14,561)</u>	<u>6,974,509</u>
Business-type activities capital assets, net	<u>\$ 7,425,749</u>	<u>\$ (396,679)</u>	<u>\$ (14,561)</u>	<u>\$ 7,014,509</u>

Depreciation expense was charged to the enterprise funds as follows:

Sewer	\$ 473,616
Swimming pool	<u>78,969</u>
Total depreciation expense	<u>\$ 552,585</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019, the City contracted with Argonaut and Trident insurance companies for their insurance. The types and amounts of coverage are as follows:

Type of Coverage	Coverage
Blanket Property (Building Contents), including Boiler	\$ 33,871,970
Automobile Liability, Comprehensive & Collision	1,000,000
General Liability	1,000,000/3,000,000
Public Officials Liability	1,000,000/2,000,000
Employment Practices Liability	1,000,000/2,000,000
Umbrella Liability	10,000,000
Law Enforcement Liability	1,000,000/2,000,000

The City has updated its coverages from the prior year. However, settled claims have not exceeded commercial insurance coverage in any of the past three years.

B. Workers' Compensation

In 2019, 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. 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 2019, the third party administrator was Paramount Preferred Solutions. The actual claims cost for injured employees are paid to the BWC and in 2019 the City paid \$121,212 for incurred claims and \$40,931 was calculated for claims payable as of December 31, 2019.

Changes in the fund's claims liability amount in 2018 and 2019 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2019	\$ 5,852	\$ 156,291	\$ (121,212)	\$ 40,931
2018	3,636	78,125	(75,909)	5,852

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 \$75,000 per employee.

The claims liability of \$77,471 reported in the fund at December 31, 2019, 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.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 7 - RISK MANAGEMENT - (Continued)

Changes in the fund's claims liability amount in 2018 and 2019 were:

	Beginning of Year	Current Year Claims	Claim Payments	End of Year
2019	\$ 87,176	\$ 1,617,362	\$ (1,627,067)	\$ 77,471
2018	144,907	1,397,916	(1,455,647)	87,176

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.00% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee ***	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits *****	0.0 %
Total Employer	14.0 %
Employee	10.0 %

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

***** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$654,228 for 2019. Of this amount, \$69,114 is reported as intergovernmental payable.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$919,020 for 2019. Of this amount, \$77,427 is reported as intergovernmental payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.02972700%	0.03679700%	0.00677400%	0.18219300%	
Proportion of the net pension liability/asset current measurement date	<u>0.03057700%</u>	<u>0.02108300%</u>	<u>0.00555100%</u>	<u>0.18394500%</u>	
Change in proportionate share	<u>0.00085000%</u>	<u>-0.01571400%</u>	<u>-0.00122300%</u>	<u>0.00175200%</u>	
Proportionate share of the net pension liability	\$ 8,374,420	\$ -	\$ -	\$ 15,014,773	\$ 23,389,193
Proportionate share of the net pension asset	-	(23,575)	(126)	-	(23,701)
Pension expense	1,886,302	6,542	(33)	2,056,328	3,949,139

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ 385	\$ -	\$ 528	\$ 616,898	\$ 617,811
Net difference between projected and actual earnings on pension plan investments	1,136,647	5,076	45	1,849,807	2,991,575
Changes of assumptions	729,012	5,264	39	398,061	1,132,376
Changes in employer's proportionate percentage/difference between employer contributions	109,014	-	-	278,885	387,899
Contributions subsequent to the measurement date	636,118	12,954	5,156	919,020	1,573,248
Total deferred outflows of resources	<u>\$ 2,611,176</u>	<u>\$ 23,294</u>	<u>\$ 5,768</u>	<u>\$ 4,062,671</u>	<u>\$ 6,702,909</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ 109,960	\$ 9,627	\$ -	\$ 14,022	\$ 133,609
Changes in employer's proportionate percentage/difference between employer contributions	88,167	-	-	240,798	328,965
Total deferred inflows of resources	<u>\$ 198,127</u>	<u>\$ 9,627</u>	<u>\$ -</u>	<u>\$ 254,820</u>	<u>\$ 462,574</u>

\$1,573,248 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2020.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2020	\$ 739,435	\$ 795	\$ 88	\$ 947,141	\$ 1,687,459
2021	403,427	(218)	83	535,656	938,948
2022	105,447	(111)	81	543,111	648,528
2023	528,622	1,479	97	820,563	1,350,761
2024	-	(605)	70	42,360	41,825
Thereafter	-	(627)	193	-	(434)
Total	\$ 1,776,931	\$ 713	\$ 612	\$ 2,888,831	\$ 4,667,087

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was loss of 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 12,371,454	\$ 8,374,420	\$ 5,052,849
Combined Plan	(7,801)	(23,576)	(34,998)
Member-Directed Plan	(56)	(126)	(222)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below.

Valuation date	1/1/18 with actuarial liabilities rolled forward to 12/31/18
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%, plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OP&F's Board and were effective beginning with the January 1, 2018 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy and Guidelines. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 19,735,884	\$ 15,014,773	\$ 11,069,602

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

The City's contractually required contribution was \$2,062 for 2019. Of this amount, \$218 is reported as intergovernmental payable.

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

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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 information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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 employer units, 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$21,496 for 2019. Of this amount, \$1,819 is reported as intergovernmental payable.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.02906000%	0.18219300%	
Proportion of the net OPEB liability current measurement date	<u>0.02931400%</u>	<u>0.18394500%</u>	
Change in proportionate share	<u>0.00025400%</u>	<u>0.00175200%</u>	
Proportionate share of the net OPEB liability	\$ 3,821,853	\$ 1,675,101	\$ 5,496,954
OPEB expense	\$ 331,232	\$ (8,377,753)	\$ (8,046,521)

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,293	\$ -	\$ 1,293
Net difference between projected and actual earnings on OPEB plan investments	175,210	56,704	231,914
Changes of assumptions	123,221	868,292	991,513
Changes in employer's proportionate percentage/ difference between employer contributions	35,204	77,694	112,898
Contributions subsequent to the measurement date	2,062	21,496	23,558
Total deferred outflows of resources	<u>\$ 336,990</u>	<u>\$ 1,024,186</u>	<u>\$ 1,361,176</u>
	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 10,369	\$ 44,879	\$ 55,248
Changes of assumptions	-	463,747	463,747
Changes in employer's proportionate percentage/ difference between employer contributions	52,380	147,327	199,707
Total deferred inflows of resources	<u>\$ 62,749</u>	<u>\$ 655,953</u>	<u>\$ 718,702</u>

\$23,558 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 115,007	\$ 61,951	\$ 176,958
2021	39,828	61,951	101,779
2022	29,079	61,953	91,032
2023	88,265	79,102	167,367
2024	-	52,063	52,063
Thereafter	-	29,717	29,717
Total	\$ 272,179	\$ 346,737	\$ 618,916

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is a loss of 5.60% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 4,889,575	\$ 3,821,853	\$ 2,972,733

Sensitivity of the City/County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 3,673,630	\$ 3,821,853	\$ 3,992,567

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	<u>120.00 %</u>		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The total OPEB liability was calculated using the discount rate of 4.66%. A discount rate of 3.24% was used to measure the total OPEB liability at December 31, 2017. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66%), or one percentage point higher (5.66%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,040,731	\$ 1,675,101	\$ 1,368,187

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Due to the change from a self-funded plan to the stipend plan, disclosure of the healthcare cost trend rate for OP&F is no longer available.

Changes Between Measurement Date and Report Date - Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current healthcare model to the stipend based healthcare model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Although the exact amount of these changes is not known, the overall decrease to the City's net OPEB liability is expected to be significant.

NOTE 10 - OTHER EMPLOYEE BENEFITS

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, State laws, and Codified Ordinance. Employees earn vacation at different rates, depending on years of service. Vacation is accrued each pay; employees paid under negotiated agreements must use their vacation time by year-end. Employees who are not under a negotiated agreement and are paid by council ordinance are permitted to cash out up to three weeks of their vacation balance by year end and they are permitted to carry over up to three years to the subsequent year.

At the time of separation, an employee is entitled to payment for any earned but unused vacation within statutory limits. By collective bargaining agreement, Fire Department employees are limited to the payment of six weeks of accumulated, but unused vacation. 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 an accumulated but unused overtime.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)

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.

Permanent part-time employees, whether they are under a negotiated agreement or codified ordinance receive Paid Time Off. Up to 120 hours of Paid Time Off may be used in a one-year period. Paid Time Off is cumulative and the balance is carried into the subsequent year. Upon termination, the balance accumulated as Paid Time Off will be subject to provisions of Sick Leave and not considered as Vacation Leave.

NOTE 11 - NOTES PAYABLE

Changes in the City's note activity for the year ended December 31, 2019, were as follows:

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019
<u>Governmental fund notes</u>				
Various purpose notes - series 2018	\$ 562,871	-	\$ (562,871)	-
Various purpose notes - series 2018	298,000	-	(298,000)	-
Various purpose notes - series 2018	107,196	-	(107,196)	-
Various purpose notes - series 2018	158,000	-	(158,000)	-
Various purpose notes - series 2019	-	465,871	-	465,871
Various purpose notes - series 2019	-	265,000	-	265,000
Various purpose notes - series 2019	-	603,152	-	603,152
Total Governmental Fund Notes	\$ 1,126,067	\$ 1,334,023	\$ (1,126,067)	\$ 1,334,023

All notes were backed by the full faith and credit of the City. The note liability is reflected in the fund which received the proceeds. The notes were issued in anticipation of long-term bond financing and will be refinanced when such bonds are issued.

On June 7, 2018, the City issued Series 2018 bond anticipation notes in the amount of \$3,842,000 to help (i) improve streets, (ii) improve the City's parks and recreational facilities, (iii) renovate and otherwise improve City Hall, (iv) renovate and otherwise improve the City's service garage and (v) improve the City's community house. The notes bore an interest rate of 2.12% and matured on June 7, 2019.

On June 7, 2019, the City issued Series 2019 bond anticipation notes in the amount of \$5,300,000 to help (i) improvement streets, (ii) purchase equipment and (iii) renovate and otherwise improve the City's service garage. Of this amount, \$4,200,977 has been replaced by debt that extends at least one year beyond the balance sheet date. The notes bore an interest rate of 2.50% and matured on June 5, 2020.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - 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>
Governmental activities:				
<i>General obligation bonds:</i>				
Recreation facilities-aquatics facility	2002	2022	4.23%	2,600,000
Police station improvements refunding	2012	2028	2.00-4.00%	3,580,000
Police station construction	2011	2026	3.16%	1,625,000
<i>Various purpose notes:</i>				
Various purpose notes, series 2018	2018	2019	2.12%	2,715,933
Various purpose notes, series 2019	2019	2020	2.50%	3,965,977
OPWC:				
Bradley road/Naigle road improvement	2013	2023	0.00%	73,069

Changes in governmental activities long-term obligations of the City during 2019 were as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due</u>
Governmental activities:	<u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2019</u>	<u>Within</u>
					<u>One Year</u>
<i>General obligation bonds:</i>					
Recreation facilities - aquatics facility	\$ 520,000	\$ -	\$ (130,000)	\$ 390,000	\$ 130,000
Police station improvements - refunding	2,215,000	-	(250,000)	1,965,000	245,000
Police station construction	1,000,000	-	(125,000)	875,000	125,000
Unamortized premiums	118,006	-	(12,093)	105,913	-
<i>Total general obligation bonds</i>	<u>3,853,006</u>	<u>-</u>	<u>(517,093)</u>	<u>3,335,913</u>	<u>500,000</u>
<i>Various purpose notes:</i>					
Various purpose notes, series 2018	2,715,933	-	(2,715,933)	-	-
Various purpose notes, series 2019	-	3,965,977	-	3,965,977	-
<i>Total various purpose notes</i>	<u>2,715,933</u>	<u>3,965,977</u>	<u>(2,715,933)</u>	<u>3,965,977</u>	<u>-</u>
<i>OPWC loans - direct borrowing:</i>					
Bradley road/Naigle road improvement	36,534	-	(7,307)	29,227	7,307
<i>Total OPWC loans</i>	<u>36,534</u>	<u>-</u>	<u>(7,307)</u>	<u>29,227</u>	<u>7,307</u>
<i>Long-term obligations:</i>					
Net pension liability	15,004,277	6,958,296		21,962,573	-
Net OPEB liability	12,909,203	584,386	(8,647,704)	4,845,885	-
Compensated absences	866,206	98,460	(41,402)	923,264	352,128
<i>Total governmental activities</i>	<u>\$ 35,385,159</u>	<u>\$ 11,607,119</u>	<u>\$ (11,929,439)</u>	<u>\$ 35,062,839</u>	<u>\$ 859,435</u>

General obligation bonds and the OPWC loan will be paid from tax money received into the general obligation bond retirement fund.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

During 2012, the City issued \$3,580,000 in Series 2012 police station improvement refunding bonds to advance refund \$3,375,000 of the Series 2003 police station improvement bonds. The reacquisition price of the Series 2012 police station improvement refunding bonds exceeded the net carrying amount of the old debt by \$289,886. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt, which is equal to the life of the Series 2012 issuance. This advance refunding was undertaken to reduce the combined total debt service payments by \$2,475,000 at December 31, 2018. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

On June 7, 2019, the City issued a \$5,300,000 bond anticipation note for various purpose improvements. The liability for this note has been reported as a long-term liability in accordance with GASB No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", since \$4,200,977 of the note has been financed on a long-term basis prior to the issuance of the financial statements. See Note 23 for details on the note issuance.

The OPWC loans are considered direct borrowings. Direct borrowings have terms negotiated directly between the City and the lender and are not offered for public sale. In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

Net pension liability and net OPEB liability - see Notes 8 and 9 for details.

Compensated absences will be paid from the general fund, the emergency paramedic, parks and recreation (a nonmajor governmental fund), and the street construction (a nonmajor governmental fund) funds. 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).

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2019 are as follows:

Year Ending	General Obligation Bonds			OPWC - Bradley Road/Naigle Road Improvement		
	Principal	Interest	Total	Principal	Interest	Total
<u>December 31,</u>						
2020	\$ 500,000	\$ 94,093	\$ 594,093	\$ 7,307	\$ -	\$ 7,307
2021	455,000	79,073	534,073	7,307	-	7,307
2022	480,000	64,573	544,573	7,307	-	7,307
2023	355,000	49,573	404,573	7,306	-	7,306
2024	350,000	40,311	390,311	-	-	-
2025-2028	1,090,000	68,049	1,158,049	-	-	-
Total	<u>\$ 3,230,000</u>	<u>\$ 395,672</u>	<u>\$ 3,625,672</u>	<u>\$ 29,227</u>	<u>\$ -</u>	<u>\$ 29,227</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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>
<u>Business-type activities</u>				
<i>OPWC loan:</i>				
Ohio Public Works Commission loan	2000	2020	0.00%	\$ 714,147
Cahoon Creek Aerial Sewer Replacement	2013	2044	0.00%	1,039,232
Cahoon Road Sewer Replacement	2014	2044	0.00%	729,040

Changes in business-type activities long-term obligations of the City during 2019 were as follows.

	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2019</u>	<u>Due Within One Year</u>
Business-type activities:					
<i>OPWC loan:</i>					
Ohio Public Works Commission loan	\$ 68,014	\$ -	\$ (34,007)	\$ 34,007	\$ 34,007
Cahoon Creek Aerial Sewer Replacement	883,344	-	(34,642)	848,702	34,642
Cahoon Road Sewer Replacement	643,986	-	(24,301)	619,685	24,301
Net pension liability	841,334	585,285	-	1,426,619	-
Net OPEB liability	569,304	81,766	-	651,070	-
Compensated absences	63,536	5,580	-	69,116	3,282
<i>Total Business-type activities</i>	<u>\$ 3,069,518</u>	<u>\$ 672,631</u>	<u>\$ (92,950)</u>	<u>\$ 3,649,199</u>	<u>\$ 96,232</u>

The OPWC loans will be paid with monies from the sewer enterprise fund and are used for sewer improvements. The OPWC loans are considered direct borrowings. Direct borrowings have terms negotiated directly between the City and the lender and are not offered for public sale. In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

Net pension liability and net OPEB liability - See Notes 8 and 9 for details.

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 (a nonmajor governmental fund).

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire business-type activities long-term obligations outstanding at December 31, 2019 are as follows:

Year Ending December 31,	Business Type Activities		
	OPWC	OPWC	Total
	<u>Loans</u> <u>Principal</u>	<u>Loans</u> <u>Interest</u>	<u>Principal</u>
2020	\$ 92,950	\$ -	\$ 92,950
2021	58,942	-	58,942
2022	58,942	-	58,942
2023	58,942	-	58,942
2024	58,942	-	58,942
2025 - 2029	294,710	-	294,710
2030 - 2034	294,710	-	294,710
2035 - 2039	294,710	-	294,710
2040 - 2044	277,387	-	277,387
2045	12,159	-	12,159
Total	<u>\$ 1,502,394</u>	<u>\$ -</u>	<u>\$ 1,502,394</u>

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, 2019, the City’s total debt margin was \$69,821,590 and the unvoted debt margin was \$34,853,327.

NOTE 13 - 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 \$3,669,626 which represents 20.90 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.

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. WestShore 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 six 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 2019, the City contributed \$36,954 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 including a S.W.A.T team.

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. 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 five 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 2019, the City contributed \$500 which represented 10 percent of total contributions.

NOTE 15 - 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

At December 31, 2019, the City was not involved in any lawsuits that would have a material adverse effect on the City's financial position.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - 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.

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 17 - INTERFUND TRANSFERS

Transfers made during the year ended December 31, 2019 were as follows:

	<u>Transfer From</u>		
	<u>Governmental Activities</u>		
	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Totals</u>
<u>Transfer To</u>			
<u>Governmental activities</u>			
Parks and recreation	\$ 350,000	\$ -	\$ 350,000
Community diversion	5,800	-	5,800
Street construction, maintenance and repair	-	114,318	114,318
Fire pension	95,000	-	95,000
Community gym	9,076	-	9,076
Infrastructure improvement	500,000	161,350	661,350
General capital improvement	300,000	109,469	409,469
Equipment replacement	-	188,933	188,933
<i>Total governmental activities</i>	<u>\$ 1,259,876</u>	<u>\$ 574,070</u>	<u>\$ 1,833,946</u>
	<u>Business-Type Activities</u>		
Pool	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Total	<u>\$ 1,359,876</u>	<u>\$ 574,070</u>	<u>\$ 1,933,946</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 - INTERFUND TRANSFERS - (Continued)

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 18) and to retire the various purpose notes that were previously recorded as fund liabilities. All transfers above were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 18 - LOANS RECEIVABLE/LOANS PAYABLE

Long-term loans receivable/loans payable at December 31, 2019 as reported on the fund statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General obligation bond retirement fund	Nonmajor governmental funds	<u>\$ 240,000</u>

All long-term advances are not expected to be repaid within one year. Loans receivable/loans payable from the general obligation bond retirement fund to nonmajor governmental funds in the amount of \$240,000 are for manuscript debt issued by the City in accordance with Ohio Revised Code Section 133.29 during 2012. These loans will be repaid on December 1 each year with the final maturity date of December 1, 2022. Interest rates range from 0.45-1.95%.

Principal and interest requirements to retire the long-term loans outstanding at December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 80,000	\$ 4,320	\$ 84,320
2021	80,000	3,000	83,000
2022	<u>80,000</u>	<u>1,560</u>	<u>81,560</u>
Total	<u>\$ 240,000</u>	<u>\$ 8,880</u>	<u>\$ 248,880</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 position.

NOTE 19 - INTERFUND LOANS RECEIVABLE/PAYABLE

Interfund balances at December 31, 2019 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>
Nonmajor governmental fund	General capital improvement fund	<u>\$ 115,630</u>
Total		<u>\$ 115,630</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. The \$115,630 advance from the infrastructure improvement fund, a nonmajor governmental fund, to the general capital improvement fund was to temporarily provide funding for various capital improvement projects.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 19 - INTERFUND LOANS RECEIVABLE/PAYABLE - (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund balances between governmental funds and enterprise funds are reported as internal balances on the statement of net position.

NOTE 20 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 and any major special revenue 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 restricted, 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).

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	\$ 190,499
Net adjustment for revenue accruals	360,133
Net adjustment for expenditure accruals	131,683
Net adjustment for other financing sources/(uses)	(284,808)
Funds budgeted elsewhere	66,299
Adjustment for encumbrances	410,849
GAAP basis	\$ 874,655

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 20 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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, Bay Family services fund, general insurance fund, unclaimed monies fund, and the employee FSA fund.

NOTE 21 - 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	General Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 11,067	\$ -	\$ -	\$ 201,888	\$ 212,955
Prepays	79,508	-	-	3,937	83,445
Permanent fund	-	-	-	204,540	204,540
Unclaimed monies	6,861	-	-	-	6,861
Total nonspendable	<u>97,436</u>	<u>-</u>	<u>-</u>	<u>410,365</u>	<u>507,801</u>
Restricted:					
Debt service	-	-	-	19,104	19,104
General government	-	-	-	77,775	77,775
Security of persons and property	-	-	-	328,626	328,626
Leisure time activities	-	-	-	316,110	316,110
Community environment	-	-	-	19,577	19,577
Transportation	-	-	-	367,422	367,422
Capital improvements	-	-	-	98,896	98,896
Permanent fund	-	-	-	124,091	124,091
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,351,601</u>	<u>1,351,601</u>
Committed:					
Capital improvements	-	-	-	3,093,572	3,093,572
Debt service	-	5,905,420	-	-	5,905,420
Leisure time activities	-	-	-	85,435	85,435
Severance	-	-	-	411,336	411,336
General government	-	-	-	68,902	68,902
Public health and welfare	-	-	-	50,460	50,460
Total committed	<u>-</u>	<u>5,905,420</u>	<u>-</u>	<u>3,709,705</u>	<u>9,615,125</u>
Assigned:					
Bay family services	32,325	-	-	-	32,325
General Government	43,751	-	-	-	43,751
Security of persons and property	53,595	-	-	-	53,595
Utility Service	42,992	-	-	-	42,992
Community environment	62,038	-	-	-	62,038
Transportation	350	-	-	-	350
Public health & welfare	285	-	-	-	285
Leisure time activities	2,872	-	-	-	2,872
Total assigned	<u>238,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,208</u>
Unassigned (deficit)	<u>5,295,135</u>	<u>-</u>	<u>(5,628)</u>	<u>(669,901)</u>	<u>4,619,606</u>
Total fund balances	<u>\$ 5,630,779</u>	<u>\$ 5,905,420</u>	<u>\$ (5,628)</u>	<u>\$ 4,801,770</u>	<u>\$ 16,332,341</u>

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 22 - 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	\$ 243,725
General capital improvement fund	452,369
Other governmental	<u>238,806</u>
Total	<u>\$ 934,900</u>

NOTE 23 - SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

On March 20, 2020, the City received a State Infrastructure Bank (SIB) loan in the amount of \$762,185 to assist in paying for the Columbia Road Culvert. The loan carries an interest rate of 3.00% and has a final maturity date of March 20, 2029.

On June 6, 2020, the City issued \$5,466,000 in Various Purpose Bond Anticipation Notes. The notes have an interest rate of 1.00% and will mature on June 4, 2020. Furthermore, \$3,965,977 of the issuance is for the purpose of refinancing a portion of the Series 2019 Various Purpose Bond Anticipation Notes, originally issued for \$5,300,000.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAY VILLAGE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.030577%	0.029727%	0.030745%	0.030844%
City's proportionate share of the net pension liability	\$ 8,374,420	\$ 4,663,590	\$ 6,981,667	\$ 5,342,570
City's covered payroll	\$ 4,139,429	\$ 3,808,308	\$ 4,018,367	\$ 3,876,767
City's proportionate share of the net pension liability as a percentage of its covered payroll	202.31%	122.46%	173.74%	137.81%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.021083%	0.036797%	0.034789%	0.037650%
City's proportionate share of the net pension asset	\$ 23,575	\$ 50,092	\$ 19,362	\$ 18,321
City's covered payroll	\$ 90,171	\$ 150,700	\$ 135,425	\$ 134,528
City's proportionate share of the net pension asset as a percentage of its covered payroll	26.14%	33.24%	14.30%	13.62%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.005551%	0.006774%	0.007315%	0.583800%
City's proportionate share of the net pension asset	\$ 126	\$ 236	\$ 30	\$ 2,231
City's covered payroll	\$ 31,730	\$ 37,130	\$ 34,775	\$ 32,508
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.40%	0.64%	0.09%	6.86%
Plan fiduciary net position as a percentage of the total pension asset	113.42%	124.45%	103.40%	103.91%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
	0.030367%	0.030367%
\$	3,662,600	\$ 3,579,874
\$	3,729,939	\$ 3,780,308
	98.19%	94.70%
	86.45%	86.36%
	0.038143%	0.038143%
\$	14,686	\$ 4,001
\$	139,427	\$ 130,754
	10.53%	3.06%
	114.83%	104.56%
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a
	n/a	n/a

CITY OF BAY VILLAGE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

	LAST SIX YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.18394500%	0.18219300%	0.18603500%	0.18870800%
City's proportionate share of the net pension liability	\$ 15,014,773	\$ 11,182,021	\$ 11,783,294	\$ 12,139,714
City's covered payroll	\$ 4,128,207	\$ 3,802,768	\$ 3,986,252	\$ 3,826,406
City's proportionate share of the net pension liability as a percentage of its covered payroll	363.71%	294.05%	295.60%	317.26%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.17879040%	0.17879040%
\$ 9,262,088	\$ 8,707,654
\$ 3,781,102	\$ 3,098,062
244.96%	281.07%
72.20%	73.00%

CITY OF BAY VILLAGE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 636,118	\$ 579,520	\$ 495,080	\$ 482,204
Contributions in relation to the contractually required contribution	<u>(636,118)</u>	<u>(579,520)</u>	<u>(495,080)</u>	<u>(482,204)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 4,543,700	\$ 4,139,429	\$ 3,808,308	\$ 4,018,367
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 12,954	\$ 12,624	\$ 19,591	\$ 16,251
Contributions in relation to the contractually required contribution	<u>(12,954)</u>	<u>(12,624)</u>	<u>(19,591)</u>	<u>(16,251)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 92,529	\$ 90,171	\$ 150,700	\$ 135,425
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 5,156	\$ 3,173	\$ 3,713	\$ 4,173
Contributions in relation to the contractually required contribution	<u>(5,156)</u>	<u>(3,173)</u>	<u>(3,713)</u>	<u>(4,173)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 51,560	\$ 31,730	\$ 37,130	\$ 34,775
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	12.00%

Note: Information prior to 2010 for the City's combined plan and prior to 2015 for the City's member directed plan was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 465,212	\$ 447,593	\$ 491,440	\$ 389,995	\$ 395,459	\$ 374,332
<u>(465,212)</u>	<u>(447,593)</u>	<u>(491,440)</u>	<u>(389,995)</u>	<u>(395,459)</u>	<u>(374,332)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,876,767	\$ 3,729,942	\$ 3,780,308	\$ 3,899,950	\$ 3,954,590	\$ 4,196,547
12.00%	12.00%	13.00%	10.00%	10.00%	8.92%
\$ 16,123	\$ 16,731	\$ 16,998	\$ 10,241	\$ 10,018	\$ 12,567
<u>(16,123)</u>	<u>(16,731)</u>	<u>(16,998)</u>	<u>(10,241)</u>	<u>(10,018)</u>	<u>(12,567)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 134,358	\$ 139,425	\$ 130,754	\$ 128,818	\$ 126,013	\$ 129,690
12.00%	12.00%	13.00%	7.95%	7.95%	9.69%
\$ 3,901					
<u>(3,901)</u>					
<u>\$ -</u>					
\$ 32,508					
12.00%					

CITY OF BAY VILLAGE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Police:</i>				
Contractually required contribution	\$ 384,116	\$ 372,364	\$ 345,743	\$ 358,257
Contributions in relation to the contractually required contribution	<u>(384,116)</u>	<u>(372,364)</u>	<u>(345,743)</u>	<u>(358,257)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,021,663	\$ 1,959,811	\$ 1,819,700	\$ 1,885,563
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 534,904	\$ 509,573	\$ 466,021	\$ 493,662
Contributions in relation to the contractually required contribution	<u>(534,904)</u>	<u>(509,573)</u>	<u>(466,021)</u>	<u>(493,662)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,276,187	\$ 2,168,396	\$ 1,983,068	\$ 2,100,689
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 350,607	\$ 346,649	\$ 239,700	\$ 212,675	\$ 204,768	\$ 220,602
<u>(350,607)</u>	<u>(346,649)</u>	<u>(239,700)</u>	<u>(212,675)</u>	<u>(204,768)</u>	<u>(220,602)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,845,300	\$ 1,824,468	\$ 1,509,129	\$ 1,668,039	\$ 1,606,024	\$ 1,730,212
19.00%	19.00%	15.88%	12.75%	12.75%	12.75%
\$ 465,560	\$ 459,809	\$ 323,760	\$ 321,847	\$ 305,229	\$ 342,239
<u>(465,560)</u>	<u>(459,809)</u>	<u>(323,760)</u>	<u>(321,847)</u>	<u>(305,229)</u>	<u>(342,239)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,981,106	\$ 1,956,634	\$ 1,588,357	\$ 1,865,780	\$ 1,769,443	\$ 1,983,994
23.50%	23.50%	20.38%	17.25%	17.25%	17.25%

CITY OF BAY VILLAGE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

LAST THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.029314%	0.029060%	0.029909%
City's proportionate share of the net OPEB liability	\$ 3,821,853	\$ 3,155,702	\$ 3,020,886
City's covered payroll	\$ 4,261,330	\$ 3,996,138	\$ 4,188,567
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.69%	78.97%	72.12%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAY VILLAGE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.18394500%	0.18219300%	0.18603500%
City's proportionate share of the net OPEB liability	\$ 1,675,101	\$ 10,322,805	\$ 8,830,663
City's covered payroll	\$ 4,128,207	\$ 3,802,768	\$ 3,986,252
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.58%	271.46%	221.53%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	14.13%	15.96%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BAY VILLAGE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 2,062	\$ 1,269	\$ 41,075	\$ 83,772
Contributions in relation to the contractually required contribution	<u>(2,062)</u>	<u>(1,269)</u>	<u>(41,075)</u>	<u>(83,772)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll (1)	\$ 4,687,789	\$ 4,261,330	\$ 3,996,138	\$ 4,188,567
Contributions as a percentage of covered payroll	0.04%	0.03%	1.03%	2.00%

(1) The OPEB plan includes the member from the traditional plan, the combined plan and the member directed plan.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 80,222	\$ 77,171	\$ 39,094	\$ 163,792	\$ 165,807	\$ 219,000
<u>(80,222)</u>	<u>(77,171)</u>	<u>(39,094)</u>	<u>(163,792)</u>	<u>(165,807)</u>	<u>(219,000)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,043,633	\$ 3,869,367	\$ 3,911,062	\$ 4,028,768	\$ 4,080,603	\$ 4,326,237
1.98%	1.99%	1.00%	4.07%	4.06%	5.06%

CITY OF BAY VILLAGE, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Police:</i>				
Contractually required contribution	\$ 10,108	\$ 9,799	\$ 9,099	\$ 9,428
Contributions in relation to the contractually required contribution	<u>(10,108)</u>	<u>(9,799)</u>	<u>(9,099)</u>	<u>(9,428)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,021,663	\$ 1,959,811	\$ 1,819,700	\$ 1,885,563
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 11,388	\$ 10,842	\$ 9,915	\$ 10,503
Contributions in relation to the contractually required contribution	<u>(11,388)</u>	<u>(10,842)</u>	<u>(9,915)</u>	<u>(10,503)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,276,187	\$ 2,168,396	\$ 1,983,068	\$ 2,100,689
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 9,476	\$ 9,068	\$ 39,094	\$ 163,792	\$ 165,807	\$ 219,000
<u>(9,476)</u>	<u>(9,068)</u>	<u>(39,094)</u>	<u>(163,792)</u>	<u>(165,807)</u>	<u>(219,000)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,845,300	\$ 1,824,468	\$ 1,509,129	\$ 1,668,039	\$ 1,606,024	\$ 1,730,212
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%
\$ 9,906	\$ 9,753	\$ 53,374	\$ 125,941	\$ 119,437	\$ 133,919
<u>(9,906)</u>	<u>(9,753)</u>	<u>(53,374)</u>	<u>(125,941)</u>	<u>(119,437)</u>	<u>(133,919)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,981,106	\$ 1,956,634	\$ 1,588,357	\$ 1,865,780	\$ 1,769,443	\$ 1,983,994
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

CITY OF BAY VILLAGE, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple. There were no changes in assumptions for 2019.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018. For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, Cuyahoga County, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 10, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 10, 2020

OHIO AUDITOR OF STATE KEITH FABER



CITY OF BAY VILLAGE

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/20/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov