



**CITY OF BAY VILLAGE
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

**CITY OF BAY VILLAGE
CUYAHOGA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bay Village, Cuyahoga County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005, on our consideration of the Government'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 19, 2005

City of Bay Village, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis of the City of Bay Village's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. 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 to enhance their understanding of the City's financial performance.

Financial Highlights

Key Financial highlights for 2004 are as follows:

- Total net assets decreased by \$772,801 or 4.0 percent from 2003.
- Capital assets, net of depreciation, increased by \$953,371 or 6.6 percent from 2003.
- Total assets of governmental activities increased by \$1,471,195 or 5.4 percent over 2003.
- Total liabilities of governmental activities increased by \$1,751,920 or 8.7 percent from 2003.
- In total, equity in pooled cash and cash equivalents increased by \$287,157 for governmental activities and decreased by \$500,090 for business-type activities over 2003.
- The City issued \$1,000,000 in general obligation bonds during 2004.
- The City issued \$1,500,000 in notes during 2004 which mature in July 2005.
- The Bradley Park tennis courts were replaced.
- Construction of the new Police Station started in 2004.

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Bay Village as a financial whole or as an entire operating entity. The statements will provide a detailed look at our specific financial condition.

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

Reporting the City of Bay Village as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole considers all financial transactions and measures how the City did financially during 2004. The *Statement of Net Assets* and the *Statement of Activities* include assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in those assets. The changes in assets are important because it tells whether, for the City as a whole, the financial position has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets will also need to be evaluated.

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

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

Reporting the City of Bay Village's Most Significant Funds

Fund Financial Statements

The presentation of the City's funds begins on page 18. Fund financial statements provide detailed information about the City's major funds. The City has established many funds which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Bay Village, the major governmental funds are the general fund, general obligation bond retirement fund, and the police station improvement capital project fund. The sewer fund and the swimming pool fund are the City's major enterprise funds.

Governmental Funds

Most of the City's activities are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. Governmental funds are reported using modified accrual accounting which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The City of Bay Village maintains two different 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 operations and swimming pool activity. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains such a fund for its self-insurance of health related employee benefits and workers' compensation. Because these programs predominately benefit governmental rather than business functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements include the sewer and swimming pool activity.

The proprietary fund financial statements can be found on pages 23- 26 of this report.

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The City of Bay Village as a Whole

Recall that the Statement of Net Assets looks at the City as a whole. The following provides a summary of the City's net assets.

Table 1
Net Assets

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$19,554,718	\$18,973,366	\$6,520,089	\$7,145,470	\$26,074,807	\$26,118,836
Capital Assets, Net	9,121,735	8,231,892	6,354,355	6,290,827	15,476,090	14,522,719
<i>Total Assets</i>	<i>28,676,453</i>	<i>27,205,258</i>	<i>12,874,444</i>	<i>13,436,297</i>	<i>41,550,897</i>	<i>40,641,555</i>
Liabilities						
Current and Other Liabilities	7,819,641	7,385,077	68,245	65,664	7,887,886	7,450,741
Long-Term Liabilities:						
Due Within One Year	1,507,380	1,500,087	87,305	87,429	1,594,685	1,587,516
Due In More Than One Year	12,564,985	11,254,922	996,848	1,069,082	13,561,833	12,324,004
<i>Total Liabilities</i>	<i>21,892,006</i>	<i>20,140,086</i>	<i>1,152,398</i>	<i>1,222,175</i>	<i>23,044,404</i>	<i>21,362,261</i>
Net Assets						
Invested in Capital Assets, Net of Related Debt	4,549,681	5,037,132	5,360,245	5,712,710	9,909,926	10,749,842
Restricted for:						
Capital Projects	503,178	585,587	0	0	503,178	585,587
Debt Service	695,587	715,128	0	0	695,587	715,128
Other Purposes	1,944,086	1,551,569	0	0	1,944,086	1,551,569
Unrestricted (Deficit)	(908,085)	(824,244)	6,361,801	6,501,412	5,453,716	5,677,168
<i>Total Net Assets</i>	<i>\$6,784,447</i>	<i>\$7,065,172</i>	<i>\$11,722,046</i>	<i>\$12,214,122</i>	<i>\$18,506,493</i>	<i>\$19,279,294</i>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City of Bay Village, total assets exceed total liabilities by \$18,506,493 at December 31, 2004.

The largest portion of the City's governmental net assets (67 percent) reflects the investments in capital assets (land, construction in progress, buildings, machinery, equipment, vehicles and infrastructure) less any related debt to acquire those assets that is still outstanding. These capital assets are used to provide services to the City's citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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Total assets increased by \$909,342 from 2003 to 2004, and the City's total liabilities increased by \$1,682,143. The assets increase is due to additional construction projects in the City. The liability increase is due to an increase of debt to meet contractual payments for construction in progress projects.

The negative unrestricted balance of (\$908,085) in governmental activities occurred because the City issued general obligation debt to meet contractual commitments for the community gym and the aquatic facility. As further discussed in Note 16 to the financial statements, the City contributed to the construction of the community gym; however, the asset belongs to the Bay Village City School District. In addition, the debt for the City's aquatic facility, which opened in 2003, is being paid from the City's general obligation bond retirement fund; however, the asset was capitalized in the swimming pool fund which is a business-type activity. Therefore, in both circumstances, the governmental activity assets were reduced due to cash outflows for assets that are not held in governmental activities.

At the end of the current year, the City is able to report positive balances in the nine categories of restricted net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

During the current year, the total net assets of the City's governmental activities decreased by \$280,725. The decrease was primarily due to an increase in total liabilities in 2004. The total net assets of the business-type activities decreased by \$492,076, which is primarily due to a decrease in cash and cash equivalents.

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

City of Bay Village, Ohio
Management's Discussion and Analysis
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	Governmental Activities		Business Type Activities	
	2004	2003	2004	2003
Revenues				
Program Revenues				
Charges for Services	\$621,844	\$552,709	\$1,753,443	\$1,774,472
Operating Grants and Contributions	752,838	542,729	0	0
Capital Grants and Contributions	40,312	23,506	0	0
Total Program Revenues	<u>1,414,994</u>	<u>1,118,944</u>	<u>1,753,443</u>	<u>1,774,472</u>
General Revenues				
Property Taxes	5,971,044	5,099,331	0	0
Municipal Income Taxes	4,325,970	4,442,591	0	0
Grants and Entitlements	3,142,734	3,225,642	0	0
Unrestricted Contributions and Donations	7,421	8,805	0	0
Interest	123,614	62,540	0	0
Miscellaneous	361,923	75,761	3,283	13,000
Total General Revenues	<u>13,932,706</u>	<u>12,914,670</u>	<u>3,283</u>	<u>13,000</u>
Total Revenues	<u>15,347,700</u>	<u>14,033,614</u>	<u>1,756,726</u>	<u>1,787,472</u>
Program Expenses				
General Government	3,071,084	2,838,252	0	0
Security of Persons and Property	5,908,478	5,766,935	0	0
Public Health and Welfare	573,276	711,820	0	0
Transportation	2,095,783	1,964,736	0	0
Community Environment	797,815	726,697	0	0
Basic Utility Services	1,620,691	1,664,521	0	0
Leisure Time Activities	1,004,148	530,254	0	0
Intergovernmental	0	429,646	0	0
Interest and Fiscal Charges	489,775	376,280	0	0
Sewer	0	0	1,857,765	1,434,203
Swimming Pool	0	0	458,412	399,762
Total Program Expenses	<u>15,561,050</u>	<u>15,009,141</u>	<u>2,316,177</u>	<u>1,833,965</u>
Decrease in Net Assets before Transfers	(213,350)	(975,527)	(559,451)	(46,493)
Transfers	<u>(67,375)</u>	<u>(1,629,628)</u>	<u>67,375</u>	<u>1,629,628</u>
<i>Decrease in Net Assets</i>	(280,725)	(2,605,155)	(492,076)	1,583,135
<i>Net Assets Beginning of Year</i>	<u>7,065,172</u>	<u>9,670,327</u>	<u>12,214,122</u>	<u>10,630,987</u>
<i>Net Assets End of Year</i>	<u>\$6,784,447</u>	<u>\$7,065,172</u>	<u>\$11,722,046</u>	<u>\$12,214,122</u>

The reduction in net assets was due to expenses exceeding revenues under full accrual basis of accounting.

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Governmental Activities

Several revenue sources fund our governmental activities with property tax and income tax being the largest contributors. In 2004, property tax accounted for 38.9 percent of total revenues, and municipal income tax accounted for 28.2 percent. The City's municipal income tax rate of 1.5 percent has remained unchanged since 1983. Grants and entitlements revenue totaling \$3,142,734, accounts for 20.5 percent of total governmental activity revenue. These funds are comprised of distributions from the State and county, the majority of which was estate taxes.

Transportation expenses increased \$131,047 from 2003 due to an increase in depreciation expense. Operating grants and contributions increased due to the City receiving monies in 2004 from the Ohio Department of Transportation (ODOT) for a joint project completed in 2003. The City was reimbursed \$160,970 for a portion of the project costs and the inspection costs. The reimbursement was received in June 2004.

Leisure Time Activities increased by \$473,894 from 2003. The increase was due to operating costs for the Community Gym which opened in March 2004 and general costs increases for maintenance and plant materials for the City's four parks and the rental facilities.

Intergovernmental expenses decreased by \$429,646 from fiscal year 2003. As further described in Note 16, the City's portion of the joint operating agreement for the Community Gym was capped at \$1,143,280. The City fully met its obligation for its portion during 2003.

Security of persons and property, including the police and fire departments, accounted for \$5,908,478 which is 38 percent of total governmental activity expenses.

Table 3 presents a summary for governmental activities, to total cost of services and the net cost of providing these services.

Table 3
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
General Government	\$3,071,084	\$2,900,294	\$2,838,252	\$2,657,908
Security of Persons and Property	5,908,478	5,831,445	5,766,935	5,695,923
Public Health and Welfare	573,276	353,247	711,820	539,022
Transportation	2,095,783	1,417,434	1,964,736	1,503,164
Community Environment	797,815	724,229	726,697	674,291
Basic Utility Services	1,620,691	1,620,691	1,664,521	1,664,521
Leisure Time Activities	1,004,148	808,941	530,254	347,838
Intergovernmental	0	0	429,646	429,646
Interest and Fiscal Charges	489,775	489,775	376,280	376,280
<i>Total</i>	<u>\$15,561,050</u>	<u>\$14,146,056</u>	<u>\$15,009,141</u>	<u>\$13,888,593</u>

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Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions all reduce the governmental activity expenses. For 2004, there was a difference of \$1,414,994 between the Total Cost of Services and the Net Cost of Services. The most significant contributing factors follow.

- General Government expenses were reduced by \$170,790 from charges for services which were derived primarily from cable franchise fees, facility rentals, and mulch sales.
- Security of Persons and Property expenses were reduced by \$49,803 through charges for services which consist of police fines and fees and court fines and fees from the Rocky River Municipal Court which serves the City of Bay Village. Operating Grants and Contributions further reduced these expenses by \$27,230, the majority of which represents grants received by both the City's Police and Fire Departments.
- Public Health and Welfare expenses were reduced by \$220,029. The expenses were mainly reduced by charges for services revenue which consisted of building department fees and permits. 2004 is the first full year under the new fee structure which was implemented during 2003.
- Transportation expenses were reduced by \$678,349 which consists of State shared gasoline taxes and vehicle registration fees.
- Leisure Time Activity expenses were reduced by \$190,448 through charges for services for parks and recreation programs and facility rentals.

Business-Type Activities

Charges for services are the primary source of revenue for the City's sewer and swimming pool operations. In 2004, the sewer fund expenses exceeded revenue by \$424,157. The sewer rates charged to Bay Village residential and commercial accounts have remained the same since 1997; therefore, revenue is relatively consistent. However, expenses continue to increase due to rising costs for the City's capital and operating contributions to the Rocky River Wastewater Treatment Plant, a joint venture among four municipalities.

In June 2003 the City opened a new aquatic center which consists of a main pool with slide features, water features and a toddler area as well as a separate diving pool. The new facility has an expanded capacity from the old facility, and it also provides concession access from both the pool and the adjacent park area which includes baseball diamonds, tennis courts, and a toddler playground. Revenue from charges for services (pool pass sales, concession sales, and swimming programs) has remained consistent between 2003 and 2004. However, the operating expenses exceeded revenue by \$135,294. This increase, which was approximately \$60,000 from the prior year, is mostly due to maintenance, acquisition of non-capital assets, and utility costs.

Financial Analysis of the Government's Funds

Information about the City's governmental funds begins on page 18. These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues of \$15,142,361 and total expenditures of \$17,798,302. The most significant fund is the general fund which had an unreserved fund balance at year end of \$1,686,057 compared to expenditures of \$9,654,461. While revenues exceeded expenditures by \$1,004,424, the excess was transferred to other funds. These transferred funds enable the City to fund other departments and capital improvements.

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General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The City amended its general fund budget at various times throughout 2004. All recommendations for budget amendments are initially presented to the Finance Committee of City Council for review before they are presented to the whole Council for Ordinance enactment on the change. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control. The general fund supports many of the City's major activities such as the Police and Fire Departments as well as most legislative and executive activities. The general fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments.

For the general fund, original budgeted revenues were \$10,708,286. The final budgeted revenue amount was \$10,863,695. The most significant change was an increase in estimated revenue in Property and Other Taxes, Municipal Income Taxes, and Intergovernmental Revenue. The original appropriations for the general fund were \$10,980,342. The final appropriations were \$11,188,795.

- The general government increase was due to increased operating costs and a realignment of wages between the service administration which is under general government and service garage wages which is under basic utility services.
- The increase of security of persons and property was due to an increase of fire wages and overtime costs and a decrease in police wages and benefits.
- The increase in public health and welfare was due to wage and benefit increases.
- The increase in transportation was the result of increased wages and decreased operating costs.
- The decrease in community environment was due to a decrease in wages and an increase in operating costs.
- The increase in basic utility services was due to wage realignment between service administration (general government) and service garage. This overall increase also includes a decrease in wage costs in other basic utility departments and a decrease in operating costs in the service garage.

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Capital Assets and Debt Administration

Capital Assets

Table 4
Capital Assets (Net of Depreciation)

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$412,101	\$804,873	\$40,000	\$40,000	\$452,101	\$844,873
Construction in Progress	1,387,658	299,560	0	63,480	1,387,658	363,040
Land Improvements	365,062	123,587	836,507	875,984	1,201,569	999,571
Buildings	1,784,968	1,857,243	1,478,326	1,530,873	3,263,294	3,388,116
Machinery and Equipment	653,450	717,499	704,082	762,139	1,357,532	1,479,638
Vehicles	963,154	1,104,668	58,413	90,422	1,021,567	1,195,090
Infrastructure						
Roads	2,745,918	2,481,888	0	0	2,745,918	2,481,888
Culverts	94,306	96,939	0	0	94,306	96,939
Traffic Signals	715,118	745,635	0	0	715,118	745,635
Sewer Lines	0	0	3,237,027	2,927,929	3,237,027	2,927,929
<i>Total</i>	<u>\$9,121,735</u>	<u>\$8,231,892</u>	<u>\$6,354,355</u>	<u>\$6,290,827</u>	<u>\$15,476,090</u>	<u>\$14,522,719</u>

The City's total capital assets for governmental activities increased in 2004 by \$889,843. The increase occurred because of an increase in construction in progress, an increase in land improvements for the Bradley Park tennis courts, and an increase in valuations for the roads that were rehabilitated during 2004.

Total capital assets for business-type activities shows an increase of \$63,528 from 2003. This total increase is primarily the result of a decrease in vehicles after the City removed obsolete or irreparable vehicles from service and an increase in sewer lines which represents the sewer rehabilitation project completed in 2004. For additional information on capital assets, see Note 9.

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Debt

As of December 31, 2004, the City of Bay Village had \$14,004,311 in bonds, loans, and notes outstanding with \$1,317,007 due within one year.

Table 5
Outstanding Debt at Year End

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$11,486,201	\$11,763,169	\$450,000	\$500,000	\$11,936,201	\$12,263,169
Special Assessment Bonds	24,000	32,000	0	0	24,000	32,000
OPWC Loan	0	0	544,110	578,117	544,110	578,117
Notes	1,500,000	0	0	0	1,500,000	0
<i>Total</i>	<u>\$13,010,201</u>	<u>\$11,795,169</u>	<u>\$994,110</u>	<u>\$1,078,117</u>	<u>\$14,004,311</u>	<u>\$12,873,286</u>

The General Obligation Bonds are composed of 1) Various Improvement; 2) Street Improvement; 3) Motorized Equipment; 4) Real Estate Acquisition; 5) Recreational Facility for the Aquatic Center; 6) Recreational Facility for the Community Gymnasium; and 7) Police Station Improvement. Principal and interest for these bonds are paid from tax money received into the debt service fund.

The Special Assessment Bonds consist of the Cahoon Road Street Improvement and Sidewalk Improvement bonds. Principal and interest for these bonds are paid from the collection of special assessments by the County Auditor.

The OPWC Loan is paid semi-annually from the sewer fund. This zero-interest loan will be paid in full in the year 2020.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5 percent of total assessed valuation. The City's overall legal debt margin was \$36,043,411 on December 31, 2004.

The Notes are composed of 1) Police Station Improvement and 2) Park Improvement. The notes mature in July 2005.

Note 14 of the Basic Financial Statements includes additional information about the City's debt.

Current Financial Related Activities

The City of Bay Village remains committed to improving facilities and services and management continually reviews and plans in relation to annual and projected budgets.

The City's income tax rate of 1.5 percent has remained unchanged since 1983. During 2003 the County Auditor reassessed property valuations, and as a result of the reassessments, during 2004 the City realized an increase in property tax distributions from the County.

The City has adopted a street improvement plan. Since 1994, the City expended approximately \$700,000 annually on maintenance and resurfacing projects. During 2004, thirty-three individual, or significant portions of major roads, were addressed under the improvement plan.

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Unaudited

As previously noted, sewer rates have remained unchanged despite increasing capital and operating contributions to the Rocky River Wastewater Treatment Plant. The City has been able to offset the costs by reducing inflow to the Plant. This is primarily the result of the City's sewer correction project which helps eliminate inflow and infiltration to sanitary sewer lines. During 2004 the City completed a sewer project which cost approximately \$707,000. The project rehabilitated approximately 8,560 linear feet of eight and twelve inch sanitary and storm sewers which also included rehabilitating approximately thirty manholes.

The City maintained its contract with Browning-Ferris Industries (BFI) for trash removal which assists in maintaining service costs. The cost of trash removal is paid from revenue received from property tax assessments; therefore, residents do not incur additional trash removal costs. The City's service department provides special pick-up services on an as-needed basis. The service department also handles leaf collection between October and December.

The City continues to purchase vehicles and capital equipment on an annual basis as it has over the past five years. Eighty-three percent of the Police Department vehicles are four years old or less. Three new police vehicles were acquired in 2004, and in February 2005 City Council authorized the purchase of two new vehicles. The primary fire and emergency medical vehicles are less than ten years old and two fire department utility vehicles are four years old or less.

The City also purchased new vehicles and capital equipment for the service, street, community service, and recreation departments. The service and street departments acquired two super-duty dump trucks, one utility truck, and a tar sealer unit. The service and street departments continue to replace three to five vehicles annually. The community services department replaced their 14-passenger bus with a new vehicle. The passenger bus is used to transport senior citizens. The recreation department acquired fitness equipment for the community gym.

The Community Gym opened in March 2004. In addition to providing access to fitness equipment, the recreation department sponsors various organized programs through the gym, including basketball and volleyball. The gym serves as a walking facility for community citizens, and in addition to the organized programs there are regular open court hours. The gym has also allowed the recreation department to extend its Family Fun Night and special holiday event schedule into the winter months. Prior to the gym opening, these events were restricted to spring and summer months when they were held at outdoor park facilities.

During 2004 the City also replaced the deteriorated 4-court tennis courts at Bradley Park. The replacement cost was \$271,800 and included an additional court along with new lighting, fencing, and landscaping. The Community Gym and the Bradley Park tennis courts, along with the aquatic center which opened in June 2003, enhance the City's ability to provide recreational programs and facilities to its residents.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, tax payers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need financial information contact the Finance Director, City of Bay Village, 350 Dover Center Road, Bay Village, Ohio, 44140, telephone 440-871-2200 or email at spresley@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 Assets

December 31, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,073,457	\$1,277,882	\$11,351,339
Accounts Receivable	25,216	110,242	135,458
Intergovernmental Receivable	1,323,426	0	1,323,426
Material and Supplies Inventory	88,742	360	89,102
Prepaid Items	52,948	0	52,948
Municipal Income Taxes Receivable	1,499,576	0	1,499,576
Property Taxes Receivable	6,322,730	0	6,322,730
Special Assessments Receivable	79,018	0	79,018
Deferred Charges	89,605	0	89,605
Investment in Joint Venture	0	5,131,605	5,131,605
Capital Assets, Non-Depreciable	1,799,759	40,000	1,839,759
Capital Assets, Depreciable, Net	7,321,976	6,314,355	13,636,331
<i>Total Assets</i>	<u>28,676,453</u>	<u>12,874,444</u>	<u>41,550,897</u>
Liabilities			
Accounts Payable	255,631	10,892	266,523
Contracts Payable	475,429	552	475,981
Accrued Wages and Benefits	103,639	9,805	113,444
Intergovernmental Payable	285,310	7,120	292,430
Deferred Revenue	6,083,711	0	6,083,711
Vacation Benefit Payable	472,987	38,553	511,540
Accrued Interest Payable	50,452	1,323	51,775
Claims Payable	92,482	0	92,482
Long-Term Liabilities:			
Due Within One Year	1,507,380	87,305	1,594,685
Due In More Than One Year	12,564,985	996,848	13,561,833
<i>Total Liabilities</i>	<u>21,892,006</u>	<u>1,152,398</u>	<u>23,044,404</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,549,681	5,360,245	9,909,926
Restricted for:			
Capital Projects	503,178	0	503,178
Debt Service	695,587	0	695,587
Street Construction	703,729	0	703,729
Police Pension	58,387	0	58,387
Fire Pension	62,091	0	62,091
Accrued Benefits	636,125	0	636,125
Cahoon Park	118,731	0	118,731
Waldeck Estate	176,455	0	176,455
Other Purposes	188,568	0	188,568
Unrestricted (Deficit)	<u>(908,085)</u>	<u>6,361,801</u>	<u>5,453,716</u>
<i>Total Net Assets</i>	<u>\$6,784,447</u>	<u>\$11,722,046</u>	<u>\$18,506,493</u>

See accompanying notes to the basic financial statements

City of Bay Village, Ohio
Statement of Activities
For the Year Ended December 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$3,071,084	\$170,790	\$0	\$0
Security of Persons and Property	5,908,478	49,803	27,230	0
Public Health and Welfare	573,276	210,803	9,226	0
Transportation	2,095,783	0	678,349	0
Community Environment	797,815	0	33,274	40,312
Basic Utility Services	1,620,691	0	0	0
Leisure Time Activities	1,004,148	190,448	4,759	0
Interest and Fiscal Charges	489,775	0	0	0
<i>Total Governmental Activities</i>	<u>15,561,050</u>	<u>621,844</u>	<u>752,838</u>	<u>40,312</u>
Business-Type Activities				
Sewer	1,857,765	1,433,608	0	0
Swimming Pool	458,412	319,835	0	0
<i>Total Business-Type Activities</i>	<u>2,316,177</u>	<u>1,753,443</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$17,877,227</u>	<u>\$2,375,287</u>	<u>\$752,838</u>	<u>\$40,312</u>

General Revenues

Property Taxes Levied for:

- General Purposes
- Emergency Paramedic
- Parks and Recreation
- Police Pension
- Fire Pension
- Debt Service

Municipal Income Taxes Levied for:

- General Purposes
- Accrued Benefits
- Capital Projects

Grants and Entitlements not Restricted
to Specific Programs

Unrestricted Contributions and Donations

Interest

Gain on Sale of Capital Assets

Miscellaneous

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$2,900,294)	\$0	(\$2,900,294)
(5,831,445)	0	(5,831,445)
(353,247)	0	(353,247)
(1,417,434)	0	(1,417,434)
(724,229)	0	(724,229)
(1,620,691)	0	(1,620,691)
(808,941)	0	(808,941)
(489,775)	0	(489,775)
(14,146,056)	0	(14,146,056)
0	(424,157)	(424,157)
0	(138,577)	(138,577)
0	(562,734)	(562,734)
(14,146,056)	(562,734)	(14,708,790)
3,366,228	0	3,366,228
605,120	0	605,120
200,370	0	200,370
120,221	0	120,221
120,221	0	120,221
1,558,884	0	1,558,884
4,066,412	0	4,066,412
86,519	0	86,519
173,039	0	173,039
3,142,734	0	3,142,734
7,421	0	7,421
123,614	0	123,614
22,430	0	22,430
339,493	3,283	342,776
13,932,706	3,283	13,935,989
(67,375)	67,375	0
(280,725)	(492,076)	(772,801)
7,065,172	12,214,122	19,279,294
<u>\$6,784,447</u>	<u>\$11,722,046</u>	<u>\$18,506,493</u>

See accompanying notes to the basic financial statements

City of Bay Village, Ohio

Balance Sheet

Governmental Funds

December 31, 2004

	General	General Obligation Bond Retirement	Police Station Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$1,434,823	\$220,456	\$5,351,865	\$2,471,554	\$9,478,698
Accounts Receivable	23,783	0	0	1,433	25,216
Intergovernmental Receivable	825,091	108,739	0	389,596	1,323,426
Materials and Supplies Inventory	774	0	0	87,968	88,742
Municipal Income Taxes Receivable	1,409,602	0	0	89,974	1,499,576
Property Taxes Receivable	3,564,490	1,650,700	0	1,107,540	6,322,730
Special Assessments Receivable	0	0	0	79,018	79,018
<i>Total Assets</i>	<u>\$7,258,563</u>	<u>\$1,979,895</u>	<u>\$5,351,865</u>	<u>\$4,227,083</u>	<u>\$18,817,406</u>
Liabilities					
Accounts Payable	\$122,847	\$2,007	\$1,903	\$93,440	\$220,197
Contracts Payable	128,287	0	343,279	3,863	475,429
Accrued Wages and Benefits	59,928	0	0	43,711	103,639
Intergovernmental Payable	221,665	0	0	12,789	234,454
Deferred Revenue	4,991,218	1,759,439	0	1,519,689	8,270,346
<i>Total Liabilities</i>	<u>5,523,945</u>	<u>1,761,446</u>	<u>345,182</u>	<u>1,673,492</u>	<u>9,304,065</u>
Fund Balances					
Reserved for Encumbrances	48,561	0	4,854,233	108,712	5,011,506
Unreserved:					
Undesignated, Reported in:					
General Fund	1,686,057	0	0	0	1,686,057
Special Revenue Funds	0	0	0	1,724,498	1,724,498
Debt Service Funds	0	218,449	0	323,632	542,081
Capital Projects Funds	0	0	152,450	396,749	549,199
<i>Total Fund Balances</i>	<u>1,734,618</u>	<u>218,449</u>	<u>5,006,683</u>	<u>2,553,591</u>	<u>9,513,341</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,258,563</u>	<u>\$1,979,895</u>	<u>\$5,351,865</u>	<u>\$4,227,083</u>	<u>\$18,817,406</u>

See accompanying notes to the basic financial statements

City of Bay Village, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004*

Total Governmental Fund Balances		\$9,513,341
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		9,121,735
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Municipal Income Taxes	889,254	
Delinquent Property Taxes	239,019	
Intergovernmental	979,344	
Special Assessments	79,018	
Total		2,186,635
Bond issuance costs will be amortized over the life of the bond on the statement of net assets.		89,605
Three internal service funds are used by management to charge the cost of insurance and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		468,935
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(50,452)
Vacation benefits payable is not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(472,987)
Long-term liabilities are not due and payable in the current period and not reported in the funds:		
General Obligation Bonds	(11,440,000)	
Special Assessment Bonds	(24,000)	
Bond Premium	(46,201)	
Notes Payable	(1,500,000)	
Compensated Absences	(1,062,164)	
Total		(14,072,365)
<i>Net Assets of Governmental Activities</i>		\$6,784,447

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, 2004

	General	General Obligation Bond Retirement	Police Station Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Taxes	\$3,385,930	\$1,568,008	\$0	\$1,052,053	\$6,005,991
Municipal Income Taxes	4,154,585	0	0	265,186	4,419,771
Charges for Services	26,971	0	0	166,765	193,736
Fines, Licenses and Permits	350,200	0	0	3,153	353,353
Intergovernmental	2,489,476	217,478	0	861,299	3,568,253
Special Assessments	0	0	0	48,312	48,312
Interest	54,716	44,285	0	24,613	123,614
Contributions and Donations	7,421	0	0	26,739	34,160
Rentals	31,995	0	0	23,683	55,678
Miscellaneous	157,591	0	0	181,902	339,493
<i>Total Revenues</i>	<u>10,658,885</u>	<u>1,829,771</u>	<u>0</u>	<u>2,653,705</u>	<u>15,142,361</u>
Expenditures					
Current:					
General Government	2,685,550	5,257	0	26,021	2,716,828
Security of Persons and Property	4,189,698	0	0	1,405,812	5,595,510
Public Health and Welfare	245,424	0	0	50,652	296,076
Transportation	215,299	0	0	1,640,794	1,856,093
Community Environment	701,636	0	0	37,729	739,365
Basic Utility Services	1,616,854	0	0	0	1,616,854
Leisure Time Activities	0	0	0	940,850	940,850
Capital Outlay	0	0	1,428,779	812,391	2,241,170
Debt Service:					
Principal Retirement	0	1,275,000	0	8,000	1,283,000
Interest and Fiscal Charges	0	473,898	0	2,217	476,115
Bond Issuance Costs	0	36,441	0	0	36,441
<i>Total Expenditures</i>	<u>9,654,461</u>	<u>1,790,596</u>	<u>1,428,779</u>	<u>4,924,466</u>	<u>17,798,302</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,004,424</u>	<u>39,175</u>	<u>(1,428,779)</u>	<u>(2,270,761)</u>	<u>(2,655,941)</u>
Other Financing Sources (Uses)					
Sale of Capital Assets	0	0	0	407,751	407,751
General Obligation Bonds Issued	0	0	300,000	700,000	1,000,000
Notes Issued	0	0	1,300,000	200,000	1,500,000
Transfers In	250,000	0	0	1,400,000	1,650,000
Transfers Out	(1,330,000)	(67,375)	0	(320,000)	(1,717,375)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,080,000)</u>	<u>(67,375)</u>	<u>1,600,000</u>	<u>2,387,751</u>	<u>2,840,376</u>
<i>Net Change in Fund Balances</i>	(75,576)	(28,200)	171,221	116,990	184,435
<i>Fund Balances Beginning of Year, Restated (See Note 3)</i>	<u>1,810,194</u>	<u>246,649</u>	<u>4,835,462</u>	<u>2,436,601</u>	<u>9,328,906</u>
<i>Fund Balances End of Year</i>	<u>\$1,734,618</u>	<u>\$218,449</u>	<u>\$5,006,683</u>	<u>\$2,553,591</u>	<u>\$9,513,341</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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$184,435

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

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

Capital Asset Additions	2,080,815	
Current Year Depreciation	(704,339)	
Total	1,376,476	1,376,476

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (486,633)

Other financing sources in the governmental funds only affect long-term liabilities in the statement of net assets.

General Obligation Bonds Issued	(1,000,000)	
Notes Issued	(1,500,000)	
Total	(2,500,000)	(2,500,000)

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

Delinquent Property Taxes	(34,947)	
Municipal Income Taxes	(93,801)	
Intergovernmental	300,580	
Special Assessments	11,077	
Total	182,909	182,909

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets 1,283,000

In the statement of activities, interest is accrued on outstanding bonds, bond premium and bond issuance costs are amortized over the term of the bonds, whereas in governmental funds an interest expenditure is reported when due and premiums and issuance costs are reported when the bonds are issued.

Accrued Interest	(11,552)	
Amortization of Premium on Bonds	1,968	
Amortization of Issuance Costs	(4,076)	
Total	(13,660)	(13,660)

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds an expenditure is reported when the bonds are issued. 36,441

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

Compensated Absences	(102,324)	
Vacation Benefits Payable	(42,671)	
Total	(144,995)	(144,995)

The internal service funds used by management to charge the costs of insurance to individual funds is not reported in entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change in governmental funds is reported for the year. (198,698)

(\$280,725)

Change in Net Assets of Governmental Activities

See accompanying notes to the basic financial statements

City of Bay Village, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues				
Property and Other Taxes	\$3,325,872	\$3,374,140	\$3,385,930	\$11,790
Municipal Income Taxes	4,217,856	4,279,070	4,119,047	(160,023)
Charges for Services	22,819	23,150	26,971	3,821
Fines, Licenses and Permits	289,908	294,115	348,601	54,486
Intergovernmental	2,672,829	2,711,620	2,484,763	(226,857)
Interest	64,070	65,000	58,046	(6,954)
Contributions and Donations	8,871	9,000	7,421	(1,579)
Rentals	39,428	40,000	31,995	(8,005)
Miscellaneous	66,633	67,600	44,272	(23,328)
<i>Total Revenues</i>	<u>10,708,286</u>	<u>10,863,695</u>	<u>10,507,046</u>	<u>(356,649)</u>
Expenditures				
Current:				
General Government	2,701,315	2,773,895	2,733,145	40,750
Security of Persons and Property	4,208,137	4,235,660	4,160,689	74,971
Public Health and Welfare	230,955	247,555	246,403	1,152
Transportation	229,266	252,366	250,996	1,370
Community Environment	739,360	716,660	700,877	15,783
Basic Utility Services	1,541,309	1,632,659	1,556,942	75,717
<i>Total Expenditures</i>	<u>9,650,342</u>	<u>9,858,795</u>	<u>9,649,052</u>	<u>209,743</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,057,944</u>	<u>1,004,900</u>	<u>857,994</u>	<u>(146,906)</u>
Other Financing Sources (Uses)				
Transfers In	250,000	250,000	250,000	0
Transfers Out	(1,330,000)	(1,330,000)	(1,330,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,080,000)</u>	<u>(1,080,000)</u>	<u>(1,080,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(22,056)	(75,100)	(222,006)	(146,906)
<i>Fund Balance Beginning of Year</i>	1,377,943	1,377,943	1,377,943	0
Prior Year Encumbrances Appropriated	73,597	73,597	73,597	0
<i>Fund Balance End of Year</i>	<u>\$1,429,484</u>	<u>\$1,376,440</u>	<u>\$1,229,534</u>	<u>(\$146,906)</u>

See accompanying notes to the basic financial statements

City of Bay Village, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Sewer	Swimming Pool	Total	
Assets				
<i>Current Assets</i>				
Equity in Pooled Cash and Cash Equivalents	\$1,187,232	\$90,650	\$1,277,882	\$594,759
Accounts Receivable	110,242	0	110,242	0
Materials and Supplies Inventory	360	0	360	0
Prepaid Items	0	0	0	52,948
<i>Total Current Assets</i>	<u>1,297,834</u>	<u>90,650</u>	<u>1,388,484</u>	<u>647,707</u>
<i>Noncurrent Assets</i>				
Investment in Joint Venture	5,131,605	0	5,131,605	0
Non-Depreciable Capital Assets	40,000	0	40,000	0
Depreciable Capital Assets, Net	3,859,575	2,454,780	6,314,355	0
<i>Total Noncurrent Assets</i>	<u>9,031,180</u>	<u>2,454,780</u>	<u>11,485,960</u>	<u>0</u>
<i>Total Assets</i>	<u>10,329,014</u>	<u>2,545,430</u>	<u>12,874,444</u>	<u>647,707</u>
Liabilities				
<i>Current Liabilities</i>				
Accounts Payable	8,928	1,964	10,892	35,434
Contracts Payable	552	0	552	0
Accrued Wages and Benefits	9,805	0	9,805	0
Intergovernmental Payable	7,120	0	7,120	50,856
Accrued Interest Payable	1,323	0	1,323	0
Vacation Benefit Payable	38,553	0	38,553	0
Compensated Absences Payable	3,298	0	3,298	0
Claims Payable	0	0	0	92,482
General Obligation Bond Payable	50,000	0	50,000	0
OPWC Loans Payable	34,007	0	34,007	0
<i>Total Current Liabilities</i>	<u>153,586</u>	<u>1,964</u>	<u>155,550</u>	<u>178,772</u>
<i>Long-Term Liabilities (net of current portion)</i>				
Compensated Absences Payable	86,745	0	86,745	0
General Obligation Bond Payable	400,000	0	400,000	0
OPWC Loans Payable	510,103	0	510,103	0
<i>Total Long-Term Liabilities</i>	<u>996,848</u>	<u>0</u>	<u>996,848</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,150,434</u>	<u>1,964</u>	<u>1,152,398</u>	<u>178,772</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,905,465	2,454,780	5,360,245	0
Unrestricted	6,273,115	88,686	6,361,801	468,935
<i>Total Net Assets</i>	<u>\$9,178,580</u>	<u>\$2,543,466</u>	<u>\$11,722,046</u>	<u>\$468,935</u>

See accompanying notes to the basic financial statements

City of Bay Village, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004*

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Sewer	Swimming Pool	Total	
Operating Revenues				
Charges for Services	\$1,433,608	\$319,835	\$1,753,443	\$1,108,357
Other	0	3,283	3,283	103,262
<i>Total Operating Revenues</i>	<u>1,433,608</u>	<u>323,118</u>	<u>1,756,726</u>	<u>1,211,619</u>
Operating Expenses				
Personal Services	413,968	167,962	581,930	0
Benefits	178,895	28,000	206,895	0
Materials and Supplies	100,765	128,181	228,946	417,414
Contractual Services	527,730		527,730	0
Claims	0	0	0	979,104
Other	0	0	0	10,372
Depreciation	147,185	134,269	281,454	0
<i>Total Operating Expenses</i>	<u>1,368,543</u>	<u>458,412</u>	<u>1,826,955</u>	<u>1,406,890</u>
<i>Operating Income (Loss)</i>	<u>65,065</u>	<u>(135,294)</u>	<u>(70,229)</u>	<u>(195,271)</u>
Non Operating Revenues (Expenses)				
Interest	0	0	0	(3,427)
Interest and Fiscal Charges	(17,250)	0	(17,250)	0
Loss on Disposal of Capital Assets	(299,838)	0	(299,838)	0
Equity in Loss of Joint Venture	(172,134)	0	(172,134)	0
<i>Total Non Operating Revenues (Expenses)</i>	<u>(489,222)</u>	<u>0</u>	<u>(489,222)</u>	<u>(3,427)</u>
<i>Loss Before Transfers</i>	<u>(424,157)</u>	<u>(135,294)</u>	<u>(559,451)</u>	<u>(198,698)</u>
Transfers In	67,375	0	67,375	0
<i>Change in Net Assets</i>	<u>(356,782)</u>	<u>(135,294)</u>	<u>(492,076)</u>	<u>(198,698)</u>
<i>Net Assets Beginning of Year</i>	<u>9,535,362</u>	<u>2,678,760</u>	<u>12,214,122</u>	<u>667,633</u>
<i>Net Assets End of Year</i>	<u>\$9,178,580</u>	<u>\$2,543,466</u>	<u>\$11,722,046</u>	<u>\$468,935</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, 2004

	Business-Type Activities			Governmental Activities- Internal Service Funds
	Sewer	Swimming Pool	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$1,425,924	\$319,835	\$1,745,759	\$0
Cash Received from Transactions with Other Funds	0	0	0	1,211,619
Cash Payments to Suppliers for Materials and Supplies	(103,173)	(47,278)	(150,451)	0
Cash Payments for Employee Services and Benefits	(573,307)	(193,998)	(767,305)	0
Cash Payments for Contractual Services	(532,466)	(71,450)	(603,916)	(386,064)
Cash Payments for Claims	0	0	0	(974,670)
Other Operating Revenues	0	3,283	3,283	0
Other Operating Expenses	0	(9,453)	(9,453)	(10,372)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>216,978</u>	<u>939</u>	<u>217,917</u>	<u>(159,487)</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	67,375	0	67,375	0
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(644,820)	0	(644,820)	0
Principal Paid on General Obligation Bonds	(50,000)	0	(50,000)	0
Interest Paid on General Obligation Bonds	(17,375)	0	(17,375)	0
Principal Paid on OPWC Loan	(34,007)	0	(34,007)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(746,202)</u>	<u>0</u>	<u>(746,202)</u>	<u>0</u>
Cash Flows from Investing Activities				
Capital Contributed to Joint Venture	(39,180)	0	(39,180)	0
Interest on Investments	0	0	0	(3,427)
<i>Net Cash Used for Investing Activities</i>	<u>(39,180)</u>	<u>0</u>	<u>(39,180)</u>	<u>(3,427)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(501,029)	939	(500,090)	(162,914)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>1,688,261</u>	<u>89,711</u>	<u>1,777,972</u>	<u>757,673</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$1,187,232</u>	<u>\$90,650</u>	<u>\$1,277,882</u>	<u>\$594,759</u>

(continued)

See accompanying notes to the basic financial statements

City of Bay Village, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2004

	Business-Type Activities			Governmental Activities- Internal Service Funds
	Sewer	Swimming Pool	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities				
Operating Income (Loss)	\$65,065	(\$135,294)	(70,229)	(\$195,271)
<i>Adjustments:</i>				
Depreciation	147,185	134,269	281,454	0
(Increase) Decrease in Assets:				
Accounts Receivable	(7,684)	0	(7,684)	0
Materials and Supplies Inventory	21	0	21	0
Prepaid Items	0	0	0	(3,393)
Increase (Decrease) in Liabilities:				
Accounts Payable	(2,507)	1,964	(543)	35,434
Contracts Payable	(4,658)	0	(4,658)	0
Claims Payable	0	0	0	4,434
Accrued Wages and Benefits	3,339	0	3,339	0
Vacation Benefit Payable	3,924	0	3,924	0
Compensated Absences Payable	11,649	0	11,649	0
Intergovernmental Payable	644	0	644	(691)
<i>Total Adjustments</i>	<u>151,913</u>	<u>136,233</u>	<u>288,146</u>	<u>35,784</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$216,978</u></u>	<u><u>\$939</u></u>	<u><u>\$217,917</u></u>	<u><u>(\$159,487)</u></u>

See accompanying notes to the basic financial statements

City of Bay Village, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$56,248</u></u>
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Liabilities

Undistributed Monies	<u><u>\$56,248</u></u>
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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, 2004

Note 1 - Description of City and Reporting Entity

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

Reporting Entity

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

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police and fire protection, a street maintenance force, sanitation services, planning and zoning departments, parks and recreation system, a sewage system, and a general administrative staff to provide support for the service groups. The operations of these departments do not have separate legal standing and are, therefore, included as part of the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations 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 board consisting of the elected mayors of the four cities and a fifth person nominated and elected by the mayors. The board has complete authority over all aspects of the plant's operation.

The City has an explicit and measurable 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 15).

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 17.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a services, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for 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 three categories of funds: governmental, proprietary and fiduciary.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

General Fund This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

General Obligation Bond Retirement Debt Service Fund This fund is used to account for the accumulation of resources to pay debt principal, interest and related costs for general debt.

Police Station Improvement Capital Projects Fund This fund accounts for the costs associated with constructing the police station.

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

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

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

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

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

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

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

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements and nonnegotiable certificate of deposits, which are reported at cost.

During the year, the City's investments were limited to Repurchase Agreements, Federal Farm Credit Bonds, Federal Home Loan Bonds, Federal National Mortgage Association Bonds, Federal National Mortgage Notes and Federal Home Loan Mortgage Notes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$54,716, which includes \$15,117 assigned from other City funds.

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

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's 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>
Buildings	20 - 50 years
Equipment	5 - 20 years
Vehicles	3 - 12 years
Infrastructure	20 - 50 years

The City's infrastructure consists of roads, culverts, traffic signals, sewers lines and includes infrastructure acquired after December 31, 1980.

I. Interfund Balances

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

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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.

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

L. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, encumbrances are recorded as a reservation of fund balance.

M. Net Assets

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

The government-wide statement of net assets reports \$3,142,851 of restricted assets, of which \$1,624,406 is restricted by enabling legislation.

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

N. Contributions of Capital

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

O. Deferred Charges

Bond issuance costs are deferred and amortized over the term of bonds using the straight-line method since the results are not significantly different from the effective interest method.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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.

Q. Interfund Activity

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

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

R. Budgetary Process

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

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

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

S. Operating Revenues and Expenses

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

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

U. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 - Changes in Accounting Principles and Restatement of Fund Balances/Net Assets

Changes in Accounting Principles For 2004, the City has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers."

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as a component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 46 clarifies when net assets should be restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39 and GASB Statement No. 46 did not affect the presentation of the financial statements of the City.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Restatement of Fund Balances/Net Assets The implementation of GASB Technical Bulletin No. 2004-2, along with adjustments to accounts receivable and vacation benefits payable had the following effect on fund balances at December 31, 2003.

	General	General Obligation Bond Retirement	Police Station Improvements
Fund Balance, December 31, 2003	\$1,624,721	\$246,649	\$4,835,462
Accounts Receivable	0	0	0
Vacation Benefits Payable	359,665	0	0
Intergovernmental Payable	<u>(174,192)</u>	<u>0</u>	<u>0</u>
Restated Fund Balance, December 31, 2003	<u>\$1,810,194</u>	<u>\$246,649</u>	<u>\$4,835,462</u>
	Other Governmental Funds	Total	
Fund Balance, December 31, 2003	\$2,367,554	\$9,074,386	
Accounts Receivable	(1,604)	(1,604)	
Vacation Benefits Payable	70,651	430,316	
Intergovernmental Payable	<u>0</u>	<u>(174,192)</u>	
Restated Fund Balance, December 31, 2003	<u>\$2,436,601</u>	<u>\$9,328,906</u>	

The restatement for accounts receivable decreased governmental net assets at December 31, 2003 from \$7,066,776 to \$7,065,172.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 4 – Compliance and Accountability

A. Legal Compliance

The following accounts had expenditures/expenses plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

	<u>Final Appropriations</u>	<u>Expenses Plus Encumbrances</u>	<u>Excess</u>
<i>General Fund:</i>			
Hydrants	\$17,000	\$17,670	(\$670)
<i>Special Revenue Fund:</i>			
Play in Bay			
Operating	0	13	(13)
<i>Capital Projects Fund:</i>			
Community Gym Improvement			
Operating	0	850	(850)
<i>Internal Service Fund:</i>			
Health Insurance			
Claims	1,157,100	1,168,914	(11,814)

Although these budgetary violations were not corrected by year-end, management has indicated that appropriations will be closely monitored to ensure no future violations.

Contrary to Ohio Revised Code Section 5705.39, the following funds had original appropriations in excess of estimated revenue and carryover balances:

	<u>Original Estimated Revenue Plus Carryover Balances</u>	<u>Original Appropriations</u>	<u>Excess</u>
Major Fund:			
<i>Capital Project Funds:</i>			
Police Station Building	\$4,889,626	\$5,624,629	(\$735,003)
Nonmajor Funds:			
<i>Special Revenue Funds:</i>			
Parks and Recreation	713,937	785,056	(71,119)
Youth Activities	83,338	101,245	(17,907)
<i>Capital Projects Funds:</i>			
Public Improvement	746,288	1,030,843	(284,555)
Walker Road Park Improvement	132,401	195,000	(62,599)

Management was able to reduce the excess balances to zero by year-end.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

B. Fund Deficits

The following funds had deficit fund balances as of December 31, 2004:

<i>Internal Service Fund:</i>	
Health Insurance	\$23,783
<i>Capital Projects:</i>	
Public Improvement	8,789

The deficits in the funds resulted from the recognition of accrued liabilities. The general fund is responsible for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

Net Change in Fund Balance	
GAAP Basis	(\$75,576)
Net Adjustment for Revenue Accruals	(255,351)
Beginning Fair Value Adjustment for Investments	(2,254)
Ending Fair Value Adjustment for Investments	(11,957)
Unrecorded Cash	117,723
Net Adjustment for Expenditure Accruals	102,678
Encumbrances	<u>(97,269)</u>
Budget Basis	<u><u>(\$222,006)</u></u>

Note 6 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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

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.

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

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

The following information on classified deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year-end, the carrying amount of the City's deposits was \$4,078,454 and the bank balance was \$4,042,310. Of the bank balance:

1. \$400,000 was covered by federal depository insurance.
2. \$3,642,310 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Investments GASB Statement No. 3 requires the City to categorize investments to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments that are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments that are held by the counterparty or by its trust department or agent but not in the City's name.

	Category 3	Fair Value
Repurchase Agreements	\$508,444	\$508,444
Treasury Investments	500,000	500,000
Federal Farm Credit Bonds	621,062	621,062
Federal Home Loan Bonds	3,505,435	3,505,435
Federal National Mortgage Association Bonds	198,820	198,820
Federal National Mortgage Notes	996,132	996,132
Federal Home Loan Mortgage Notes	999,240	999,240
 Total Investments	 \$7,329,133	 \$7,329,133

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement 9. Cash equivalents are defined as investments with an original maturity of three months or less. Reconciliation between the classification of cash and investments on the basic financial statements and the classification per GASB Statement 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$11,407,587	\$0
Investments:		
Repurchase Agreements	(508,444)	508,444
Treasury Investments	(500,000)	500,000
Federal Farm Credit Bonds	(621,062)	621,062
Federal Home Loan Bonds	(3,505,435)	3,505,435
Federal National Mortgage Association Bonds	(198,820)	198,820
Federal National Mortgage Notes	(996,132)	996,132
Federal Home Loan Mortgage Notes	(999,240)	999,240
 GASB Statement No. 3	 \$4,078,454	 \$7,329,133

Note 7 - Receivables

Receivables at December 31, 2004, 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).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Special assessments expected to be collected in more than one year amount to \$16,000 in the special assessment bond retirement fund. The amount of delinquent special assessments outstanding at year-end is \$28,965.

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility real and tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes which become a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2004 was \$14.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$450,342,390
Public Utility Property	6,046,100
Tangible Personal Property	<u>2,200,651</u>
Total Valuation	<u><u>\$458,589,141</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts 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 and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

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 up to one percent for income tax paid to another municipality which reduces the effective tax rate to one half percent for such earnings.

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

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

C. Intergovernmental Receivables

A summary of the governmental activities principal items of intergovernmental receivables follows:

	<u>Amount</u>
Local Government	\$501,972
Gasoline Tax	211,122
Motor Vehicle Tax	43,446
Permissive Tax	49,545
Homestead and Rollback	416,508
Estate Tax	85,485
Grants	12,524
Liquor Permits	<u>2,824</u>
Total	<u><u>\$1,323,426</u></u>

Note 8 - Contingencies

A. Grants

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

B. Litigation

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

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 9 – Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$804,873	\$0	(\$392,772)	\$412,101
Construction in Progress	299,560	1,088,098	0	1,387,658
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,104,433</u>	<u>1,088,098</u>	<u>(392,772)</u>	<u>1,799,759</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	552,199	271,804	(75,746)	748,257
Buildings	3,807,504	0	0	3,807,504
Machinery and Equipment	2,144,302	65,640	(5,500)	2,204,442
Vehicles	3,731,836	169,397	(191,473)	3,709,760
Infrastructure:				
Roads	9,669,750	485,876	(456,350)	9,699,276
Culverts	143,103	0	0	143,103
Traffic Signals	915,500	0	0	915,500
<i>Total Capital Assets, Being Depreciated</i>	<u>20,964,194</u>	<u>992,717</u>	<u>(729,069)</u>	<u>21,227,842</u>
Less Accumulated Depreciation:				
Land Improvements	(428,612)	(30,329)	75,746	(383,195)
Buildings	(1,950,261)	(72,275)	0	(2,022,536)
Machinery and Equipment	(1,426,803)	(129,689)	5,500	(1,550,992)
Vehicles	(2,627,168)	(295,293)	175,855	(2,746,606)
Infrastructure:				
Roads	(7,187,862)	(143,603)	378,107	(6,953,358)
Culverts	(46,164)	(2,633)	0	(48,797)
Traffic Signals	(169,865)	(30,517)	0	(200,382)
<i>Total Accumulated Depreciation</i>	<u>(13,836,735)</u>	<u>(704,339)</u>	<u>635,208</u>	<u>(13,905,866)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,127,459</u>	<u>288,378</u>	<u>(93,861)</u>	<u>7,321,976</u>
Governmental Activities Capital Assets, Net	<u>\$8,231,892</u>	<u>\$1,376,476</u>	<u>(\$486,633)</u>	<u>\$9,121,735</u>

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Balance 12/31/03	Additions	Deletions	Balance 12/31/04
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$40,000	\$0	\$0	\$40,000
Construction in Progress	63,480	644,036	(707,516)	0
<i>Total Capital Assets, Not Being Depreciated</i>	<u>103,480</u>	<u>644,036</u>	<u>(707,516)</u>	<u>40,000</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	895,722	0	0	895,722
Buildings	1,706,678	0	0	1,706,678
Machinery and Equipment	794,863	0	0	794,863
Vehicles	730,809	0	(89,780)	641,029
Infrastructure:				
Sewer Lines	5,849,211	708,300	(328,748)	6,228,763
<i>Total Capital Assets, Being Depreciated</i>	<u>9,977,283</u>	<u>708,300</u>	<u>(418,528)</u>	<u>10,267,055</u>
Less Accumulated Depreciation:				
Land Improvements	(19,738)	(39,477)	0	(59,215)
Buildings	(175,805)	(52,547)	0	(228,352)
Machinery and Equipment	(32,724)	(58,057)	0	(90,781)
Vehicles	(640,387)	(32,009)	89,780	(582,616)
Infrastructure:				
Sewer Lines	(2,921,282)	(99,364)	28,910	(2,991,736)
<i>Total Accumulated Depreciation</i>	<u>(3,789,936)</u>	<u>(281,454)</u>	<u>118,690</u>	<u>(3,952,700)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,187,347</u>	<u>426,846</u>	<u>(299,838)</u>	<u>6,314,355</u>
Business-Type Activities Capital Assets, Net	<u>\$6,290,827</u>	<u>\$1,070,882</u>	<u>(\$1,007,354)</u>	<u>\$6,354,355</u>

* Depreciation expense was charged to governmental functions as follows:

General Government	\$50,897
Security of Persons and Property	153,005
Public Health and Welfare	270,539
Transportation	143,603
Community Environment	38,662
Leisure Time Activities	47,633
Total Depreciation Expense	<u>\$704,339</u>

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the City contracted with Clarendon National for all their insurance. The coverages are as follows:

Type of Coverage	Coverage
Property/Inland Marine	\$14,896,724
Third Party Liability Umbrella	6,000,000
Public Official and Liability	1,000,000
Boiler	4,000,000
General Liability	1,000,000/2,000,000
Automobile Liability, Comprehensive and Collision	1,000,000
Law Enforcement	1,000,000

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

The City participates in the State Workers' Compensation retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for injured employees. The maintenance of these benefits is accounted for in the Workers' Compensation internal service fund. The claims liability of \$7,521 reported in the fund at December 31, 2004 is based on an estimate of costs relating to incurred but not reported claims.

The City manages the hospital/medical, dental, and life insurance benefits for its employees on a self-insured basis using an internal service fund. A third party administrator processes and pays the claims. The City purchases stop-loss coverage to insure against catastrophic claims. Incurred but not reported claims of \$84,961 have been accrued as a liability at December 31, 2004, based on an estimate by the third party administrator. An excess coverage insurance (stop-loss) policy covers claims in excess of \$30,000 per employee.

The claims liability of \$92,482 reported in the fund at December 31, 2004, was estimated by reviewing current claims and is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount in 2003 and 2004 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$64,513	\$872,265	\$848,730	\$88,048
2004	88,048	979,104	974,670	92,482

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 11 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$415,367, \$363,874, and \$355,039, respectively; 90.71 percent has been contributed for 2004 and 100 percent for 2003 and 2002. Contributions to the member-directed plan for 2004 were \$2,087 made by the City and \$1,309 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police for the years ended December 31, 2004, 2003 and 2002 were \$176,361, \$164,531 and \$158,364, respectively. The City's contributions to the OP&F for fire for the years ended December 31, 2004, 2003 and 2002 were \$266,227, \$268,496 and \$261,974, respectively. The full amounts for the police and fire department have been contributed for 2003 and 2002. 72.02 percent for the police department and 75.72 percent for the fire department has been contributed for 2004.

Note 12 - Postemployment Benefits

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.0 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.0 and 6.0 percent annually for the next eight years and 4.0 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$173,976. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24.0 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$116,323 for police and \$126,970 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

Note 13 – Other Employee Benefits

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

Sick leave may be accumulated without limit. Upon retirement or death, employees are entitled to payment of any accumulated but unused sick leave as follows: Police (including dispatchers and jailers) and Fire Department employees at 50 percent and 40 percent respectively, provided the employee has at least 15 years of service. All other employees are paid 25 percent of accumulated but unused sick leave after 10 years, 40 percent after 15 years and 50 percent after 20 years.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 14 – Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the City’s bonds and loans follows:

Debt Issue	Original Issue Date	Maturity Date	Interest Rate	Original Issue Amount
Governmental Activities				
<i>General Obligation Bonds:</i>				
Various Improvements	1997	2007	4.94 %	\$700,000
Street Improvements	1999	2004	4.08	100,000
Street Improvements	2001	2006	3.30	1,300,000
Motorized Equipment	2001	2006	3.30	200,000
Real Estate Acquisition	2001	2006	3.30	300,000
Various Improvements	2002	2007	3.21	1,200,000
Recreation Facilities - Community Gym	2002	2017	4.13	1,100,000
Recreation Facilities - Aquatics Facility	2002	2022	4.23	2,600,000
Street Improvements	2003	2010	2.70	700,000
Police Station Improvements	2003	2028	4.40	5,000,000
Street Improvements	2004	2029	2.05-3.40	700,000
Police Station Improvements	2004	2029	2.05-3.40	300,000
<i>Long-Term Notes:</i>				
Police Station Improvements	2004	2005	2.25	1,300,000
Park Improvements	2004	2005	2.25	200,000
<i>Special Assessment Bonds:</i>				
Street Improvements - Cahoon Road	1987	2007	7.75	120,000
Sidewalk Improvements	1997	2007	4.49	130,000
Business Type Activities				
<i>General Obligation Bonds:</i>				
Sewer Improvements	2003	2013	3.22	500,000
<i>OPWC Loan</i>				
Ohio Public Works Commission Loan	2000	2020	0.00	714,147

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Changes in bonds and other long-term obligations of the City during 2004 were as follows:

	Principal Outstanding 12/31/03	Additions	Deletions	Principal Outstanding 12/31/04	Due Within One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
Various Improvements	\$280,000	\$0	\$70,000	\$210,000	\$70,000
Street Improvements	200,000	0	200,000	0	0
Street Improvements	780,000	0	260,000	520,000	260,000
Motorized Equipment	120,000	0	40,000	80,000	40,000
Real Estate Acquisition	180,000	0	60,000	120,000	60,000
Various Improvements	960,000	0	240,000	720,000	240,000
Recreation Facilities - Community Gym	1,025,000	0	75,000	950,000	75,000
Recreation Facilities - Aquatics Facility	2,470,000	0	130,000	2,340,000	130,000
Street Improvements	700,000	0	100,000	600,000	100,000
Police Station Improvements	5,000,000	0	100,000	4,900,000	100,000
Street Improvements	0	700,000	0	700,000	100,000
Police Station Improvements	0	300,000	0	300,000	50,000
Unamortized Premium	48,169	0	1,968	46,201	0
<i>Total General Obligation Bonds</i>	<u>11,763,169</u>	<u>1,000,000</u>	<u>1,276,968</u>	<u>11,486,201</u>	<u>1,225,000</u>
<i>Special Assessment Bonds:</i>					
Street Improvements - Cahoon Road	24,000	0	6,000	18,000	6,000
Sidewalk Improvements	8,000	0	2,000	6,000	2,000
<i>Total Special Assessment Bonds</i>	<u>32,000</u>	<u>0</u>	<u>8,000</u>	<u>24,000</u>	<u>8,000</u>
<i>Long-Term Notes:</i>					
Police Station Improvements	0	300,000	0	300,000	0
Police Station Improvements	0	1,000,000	0	1,000,000	0
Park Improvements	0	200,000	0	200,000	0
<i>Total Long-Term Notes</i>	<u>0</u>	<u>1,500,000</u>	<u>0</u>	<u>1,500,000</u>	<u>0</u>
Compensated Absences	959,840	114,937	12,613	1,062,164	274,380
<i>Total Governmental Activities</i>	<u>\$12,755,009</u>	<u>\$2,614,937</u>	<u>\$1,297,581</u>	<u>\$14,072,365</u>	<u>\$1,507,380</u>
Business-Type Activities					
<i>General Obligation Bonds:</i>					
Sewer Improvements	\$500,000	\$0	\$50,000	\$450,000	\$50,000
<i>OPWC Loan:</i>					
Ohio Public Works Commission Loan	578,117	0	34,007	544,110	34,007
Compensated Absences	78,394	11,649	0	90,043	3,298
<i>Total Business-Type Activities</i>	<u>\$1,156,511</u>	<u>\$11,649</u>	<u>\$84,007</u>	<u>\$1,084,153</u>	<u>\$87,305</u>

General obligation bonds will be paid from tax money receipted into the debt service fund. Special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Compensated absences will be paid from the general fund, the emergency paramedic, parks and recreation, youth activities and the street construction special revenue funds and the sewer enterprise fund. However, if compensated absences are paid out at termination (ie: resignation or retirement), then the balances to which the employee is entitled are paid from the Accrued Benefits Fund.

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

Bond anticipation notes that were rolled over prior to the issuance of the financial statements and that have a new maturity beyond the end of the year in which the report is issued have been reported as long-term obligations in the government-wide statements. The notes were backed by the full faith of the City of Bay Village.

The City's overall legal debt margin was \$36,043,411 and an unvoted debt margin of \$13,113,954 at December 31, 2004. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004 are as follows:

Years	Governmental Activities					
	General		Special		Total	
	Obligation Bonds		Assessment Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$1,225,000	\$449,376	\$8,000	\$1,665	\$1,233,000	\$451,041
2006	1,225,000	409,411	8,000	1,110	1,233,000	410,521
2007	865,000	368,966	8,000	555	873,000	369,521
2008	555,000	341,528	0	0	555,000	341,528
2009	680,000	324,154	0	0	680,000	324,154
2009-2013	2,500,000	1,281,290	0	0	2,500,000	1,281,290
2014-2018	1,975,000	821,430	0	0	1,975,000	821,430
2019-2023	1,515,000	408,602	0	0	1,515,000	408,602
2024-2029	900,000	332,606	0	0	900,000	332,606
Total	\$11,440,000	\$4,737,363	\$24,000	\$3,330	\$11,464,000	\$4,740,693

Years	Business Type Activities				
	General		OPWC	Total	
	Obligation Bonds			Principal	Interest
	Principal	Interest	Principal	Principal	Interest
2005	\$50,000	\$15,875	\$34,007	\$84,007	\$15,875
2006	50,000	14,375	34,007	84,007	14,375
2007	50,000	12,875	34,007	84,007	12,875
2008	50,000	11,375	34,007	84,007	11,375
2009	50,000	9,875	34,007	84,007	9,875
2010-2014	200,000	20,000	170,035	370,035	20,000
2015-2019	0	0	170,034	170,034	0
2020-2024	0	0	34,006	34,006	0
Total	\$450,000	\$84,375	\$544,110	\$994,110	\$84,375

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 15 - 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 board consisting of the elected mayors of the four member cities and a fifth person nominated and elected by the mayors. The board has complete authority over all aspects of the Plant's operation. The Plant supplies all participating residents of the member cities with sewer services. Each city owns the sewer lines located in its city and bills its residents for usage. Continued existence of the Plant is dependent on the City's continued participation, and the City does have an equity interest in the Plant. The City's equity interest is \$5,131,605 which represents 13.06 percent of the total equity in the Plant. The Plant is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. Complete financial statements can be obtained from the City of Rocky River, 21012 Hilliard, Rocky River, Ohio 44116.

Note 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.

Under the terms of the contribution agreement, the City will contribute to the School District two-thirds of the cost of the Gym project which includes the costs of constructing, equipping and furnishing the Gym; the cost of constructing, equipping and furnishing related joint use areas; and the costs of related design and other professional services. The City's contribution amount shall not exceed \$1,143,280. In 2002, the City issued \$1,100,000 in general obligation bonds to meet its obligation. The Gym and joint use areas shall be owned by the School District.

The City's contributions were payable based on the percent of project completion as determined by the School District. By the end of 2003, the City met its payment obligations to the School District. The gym opened in March of 2004.

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 will contribute \$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 Game 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.

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 17 - Jointly Governed Organizations

A. West Shore Council of Governments

The West Shore Council of Governments helps foster cooperation between municipalities in areas effecting health, safety, welfare, education, economic conditions and regional development. The board is comprised of one member from each of the sixteen participating entities. The board exercises control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. Each city's degree of control is limited to its representation on the board. In 2004, the City contributed \$35,504, which represents 10.06 percent of total contributions. Complete financial information statements can be obtained from the City of Bay Village 350 Dover Center Road, Bay Village, Ohio 44140.

The Council has established two subsidiary organizations, The West Shore Hazardous Materials Committee ("HAZMAT") which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a swat 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. The City did not make any contributions to S.A.F.E. in 2004. Complete financial statements can be obtained from the City of Rocky River, 21012 Hilliard, 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 nine participating entities. The Board exercises total control over the operation of the Council including budgeting, contracting, and designating management.

Budgets are adopted by the Board. Each city's degree of control is limited to its representation on the Board. In 2004, the City contributed \$300 which represented 8.3 percent of total contributions.

Note 18 - Interfund Transfers

Transfers are primarily from the general fund to various funds within the City. The transfer from the general fund was to help finance the various programs accounted for in other funds. The transfer from the general obligation bond retirement fund to the sewer fund was made for the payment of debt. The transfers from the public improvement fund were used to finance road improvements and to move monies to the general fund related to the sale of property. Transfers made during the year ended December 31, 2004 were as follows:

City of Bay Village, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

	Transfer From			
	<i>Governmental Activities</i>			
		General Obligation Bond Retirement	Other Governmental Fund	
Transfer To	General			Totals
<i>Governmental Activities</i>				
General	\$0	\$0	\$250,000	\$250,000
Parks & Recreation	405,000	0	0	405,000
Youth Activities	90,000	0	0	90,000
SCMR	450,000	0	0	450,000
Cahoon Park	52,500	0	0	52,500
Bay Family Services	36,000	0	0	36,000
Emergency Paramedic	15,000	0	0	15,000
Police Pension	130,000	0	0	130,000
Fire Pension	150,000	0	0	150,000
Community Diversion	1,500	0	0	1,500
Walker Road Park Improvement	0	0	70,000	70,000
<i>Total Governmental Activities</i>	1,330,000	0	320,000	1,650,000
<i>Business-Type Activities</i>				
Sewer	0	67,375	0	67,375
Total	\$1,330,000	\$67,375	\$320,000	\$1,717,375

Note 19 - Construction and Other Significant Commitments

At December 31, 2004, the City's significant contractual commitments consisted of:

	Contract Amount	Amount Paid	Contract Remaining
Police Station Improvements	\$6,233,471	\$973,444	\$5,260,027

Note 20 – Subsequent Event

On July 21, 2005, the City rolled over \$1,500,000 in notes for the purposes of police station improvements and park improvements and issued an additional \$500,000 in notes for the purpose of police station improvements. The notes have a interest rate of 3.5 percent and mature on July 21, 2006.

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Auditor of State Betty Montgomery

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

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

We have audited the financial statements of the 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 19, 2005, wherein we noted the City implemented Government Accounting Standards Board Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated August 19, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the City's management dated August 19, 2005, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

City of Bay Village
Cuyahoga County
Independent Accountants' Report on Internal Control over
Financial Reporting and Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and City Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 19, 2005

**CITY OF BAY VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

FINDING NUMBER	2004-001
-----------------------	-----------------

Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making fund appropriations in excess of estimated resources available for expenditure. The following funds had original appropriations in excess of the original amount certified as available for expenditure by the county budget commission:

Fund	Original Estimated Resources	Original Appropriations	Resource Deficiency
Major Fund:			
Police Station Building Fund	\$4,889,626	\$5,624,629	\$(735,003)
Other Governmental Funds:			
Parks and Recreation Fund	713,937	785,056	(71,119)
Youth Activities Fund	83,338	101,245	(17,907)
Public Improvement Fund	746,288	1,030,843	(284,555)
Walker Road Park Improvement Fund	132,401	195,000	(62,599)

By not monitoring the estimated resources and appropriations, expenditures could exceed the total of the available fund balances and current year revenue resulting in negative fund balances.

Prior to establishing appropriations, we recommend the City compare those potential appropriations to total certified resources, in all funds which are legally required to be budgeted, to ensure that the appropriations do not exceed certified resources. This comparison should also be performed prior to amending appropriations.

These deficiencies were corrected by year-end.

**CITY OF BAY VILLAGE
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Ohio Rev. Code Section 5705.41(D) – Fiscal officer’s certificate prior to expenditures.	No	Finding partially corrected – reissued as a management letter comment.
2003-002	Ohio Rev. Code Section 5705.39 – Appropriations exceeding estimated resources available for expenditure.	No	Finding not corrected – reissued as Finding Number 2004-001.



**Auditor of State
Betty Montgomery**

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800-282-0370

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CITY OF BAY VILLAGE

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 20, 2005**