

**CITY OF BAY VILLAGE
CUYAHOGA COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2014

RENEE MAHONEY, CPA, DIRECTOR OF FINANCE



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of City of Bay Village, Cuyahoga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 29, 2015

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**CITY OF BAY VILLAGE
CUYAHOGA COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 16
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18 - 19
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23 - 24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	25
Statement of Net Position - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds.....	27
Statement of Cash Flows - Proprietary Funds	28 - 29
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	30
Notes to the Basic Financial Statements.....	31 - 69
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	70 - 71



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay Village, Cuyahoga County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Bay Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay Village, Cuyahoga County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015, on our consideration of the City of Bay Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bay Village's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 18, 2015

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

The management's discussion and analysis of the City of Bay Village's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- The total net position of the City increased \$172,286. Net position of governmental activities increased \$1,267,359 or 4.47% above 2013 and net position of business-type activities decreased \$1,095,073 or 8.89% from 2013.
- General revenues accounted for \$14,213,946 or 83.22% of total governmental activities revenue. Program specific revenues accounted for \$2,866,003 or 16.78% of total governmental activities revenue.
- The City had \$16,046,028 in expenses related to governmental activities; \$2,866,003 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$13,180,025 were offset by general revenues (primarily property taxes, municipal income taxes and unrestricted grants and entitlements) of \$14,213,946.
- The general fund had revenues of \$11,214,063 in 2014. This represents a decrease of \$62,029 from revenues and other financing sources from 2013. The expenditures and other financing uses of the general fund, which totaled \$10,884,776 in 2014, decreased \$333,326 from 2013. The net increase in fund balance for the general fund was \$329,287 or 14.02%.
- The general obligation bond retirement fund had revenues and other financing sources of \$3,102,105 in 2014. The expenditures and other financing uses of the general obligation bond retirement fund totaled \$2,794,419 in 2014. The net increase in fund balance for the general obligation bond retirement fund was \$307,686 or 6.78%.
- Net position for the business-type activities, which are made up of the sewer and swimming pool enterprise funds, decreased in 2014 by \$1,095,073.
- The sewer enterprise fund had operating revenues of \$2,247,506 and operating expenses of \$2,534,099. The sewer fund had \$448,936 in non-operating expenses, transfers-in of \$144,250, and transfers-out of \$377,688. Net position of the sewer fund decreased \$968,967 or 9.30%.
- The swimming pool enterprise fund had operating revenues of \$333,019 and operating expenses of \$501,829. The net position of the swimming pool fund decreased \$168,810 or 9.24%.
- In the general fund, the actual revenues and other financing sources came in \$45,265 higher than they were in the final budget and actual expenditures and other financing uses were \$94,716 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$472,047 from the original to the final budget and budgeted revenues and other financings sources were increased \$570,661 from the original to the final budget.

Using this Annual Financial Report

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

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, “How did we do financially during 2014?” The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City’s Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City’s major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City’s most significant funds. The analysis of the City’s major governmental and proprietary funds begins on page 11.

Governmental Funds

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

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and general obligation bond retirement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and swimming pool operations. Both of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 26-29 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 30 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31 - 69 of this report.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2014 compared to 2013.

	Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>						
Current and other assets	\$ 22,276,645	\$ 21,031,885	\$ 4,719,102	\$ 5,787,170	\$ 26,995,747	\$ 26,819,055
Capital assets, net	<u>24,093,536</u>	<u>24,041,810</u>	<u>8,606,362</u>	<u>8,347,100</u>	<u>32,699,898</u>	<u>32,388,910</u>
Total assets	<u>46,370,181</u>	<u>45,073,695</u>	<u>13,325,464</u>	<u>14,134,270</u>	<u>59,695,645</u>	<u>59,207,965</u>
<u>Deferred outflows of resources</u>						
Deferred outflows of resources	<u>243,270</u>	<u>260,751</u>	-	-	<u>243,270</u>	<u>260,751</u>
<u>Liabilities</u>						
Current and other liabilities	1,736,546	1,707,985	75,781	459,116	1,812,327	2,167,101
Long-term liabilities:						
Due within one year	808,565	1,145,747	99,626	73,609	908,191	1,219,356
Due in more than one year	<u>7,938,225</u>	<u>7,496,565</u>	<u>1,926,875</u>	<u>1,283,290</u>	<u>9,865,100</u>	<u>8,779,855</u>
Total liabilities	<u>10,483,336</u>	<u>10,350,297</u>	<u>2,102,282</u>	<u>1,816,015</u>	<u>12,585,618</u>	<u>12,166,312</u>
<u>Deferred inflows of resources</u>						
Deferred inflows of resources	<u>6,522,096</u>	<u>6,643,489</u>	-	-	<u>6,522,096</u>	<u>6,643,489</u>
<u>Net Position</u>						
Net investment in capital assets	16,428,666	16,450,276	6,674,439	7,069,820	23,103,105	23,520,096
Restricted for:						
Capital projects	13,823	219,754	-	-	13,823	219,754
Debt service	19,104	19,104	-	-	19,104	19,104
Other purposes	825,262	720,874	-	-	825,262	720,874
Unrestricted	<u>12,321,164</u>	<u>10,930,652</u>	<u>4,548,743</u>	<u>5,248,435</u>	<u>16,869,907</u>	<u>16,179,087</u>
Total net position	<u>\$ 29,608,019</u>	<u>\$ 28,340,660</u>	<u>\$ 11,223,182</u>	<u>\$ 12,318,255</u>	<u>\$ 40,831,201</u>	<u>\$ 40,658,915</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the City's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$40,831,201. At year-end, net positions were \$29,608,019 and \$11,223,182 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 54.78% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, software, vehicles, and infrastructure. Net investment in capital assets at December 31, 2014 was \$16,428,666 and \$6,674,439 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$858,189, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$12,321,164 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The table below shows the comparative analysis of changes in net position for 2014 compared to 2013.

	Change in Net Position					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,527,026	\$ 1,355,431	\$ 2,580,425	\$ 2,099,604	\$ 4,107,451	\$ 3,455,035
Operating grants and contributions	1,338,278	763,690	-	-	1,338,278	763,690
Capital grants and contributions	699	24,230	-	-	699	24,230
Total program revenues	<u>2,866,003</u>	<u>2,143,351</u>	<u>2,580,425</u>	<u>2,099,604</u>	<u>5,446,428</u>	<u>4,242,955</u>
General revenues:						
Property taxes	6,635,131	6,442,260	-	-	6,635,131	6,442,260
Income taxes	5,984,888	6,178,142	-	-	5,984,888	6,178,142
Grants and entitlements	1,357,905	1,453,855	-	-	1,357,905	1,453,855
Investment earnings	107,924	87,203	-	-	107,924	87,203
Other	128,098	172,594	100	119	128,198	172,713
Total general revenues	<u>14,213,946</u>	<u>14,334,054</u>	<u>100</u>	<u>119</u>	<u>14,214,046</u>	<u>14,334,173</u>
Total revenues	<u>17,079,949</u>	<u>16,477,405</u>	<u>2,580,525</u>	<u>2,099,723</u>	<u>19,660,474</u>	<u>18,577,128</u>

(Continued)

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Change in Net Position - (Continued)					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Expenses:						
General government	3,419,889	2,978,002	-	-	3,419,889	2,978,002
Security of persons and property	6,826,698	6,467,438	-	-	6,826,698	6,467,438
Public health and welfare	636,974	382,503	-	-	636,974	382,503
Transportation	1,544,538	2,304,080	-	-	1,544,538	2,304,080
Community environment	552,436	476,682	-	-	552,436	476,682
Leisure time activity	974,154	1,067,376	-	-	974,154	1,067,376
Basic utility	1,828,828	1,949,989	-	-	1,828,828	1,949,989
Interest and fiscal charges	262,511	302,893	-	-	262,511	302,893
Sewer	-	-	2,940,148	1,363,995	2,940,148	1,363,995
Swimming pool	-	-	502,012	387,557	502,012	387,557
Total expenses	<u>16,046,028</u>	<u>15,928,963</u>	<u>3,442,160</u>	<u>1,751,552</u>	<u>19,488,188</u>	<u>17,680,515</u>
Increase (decrease) in net position before extraordinary items and transfers	1,033,921	548,442	(861,635)	348,171	172,286	896,613
Extraordinary item:						
Insurance proceeds	-	166,596	-	-	-	166,596
Transfers	233,438	(868,535)	(233,438)	868,535	-	-
Change in net position	<u>1,267,359</u>	<u>(153,497)</u>	<u>(1,095,073)</u>	<u>1,216,706</u>	<u>172,286</u>	<u>1,063,209</u>
Net position at beginning of year	<u>28,340,660</u>	<u>28,494,157</u>	<u>12,318,255</u>	<u>11,101,549</u>	<u>40,658,915</u>	<u>39,595,706</u>
Net position at end of year	<u>\$ 29,608,019</u>	<u>\$ 28,340,660</u>	<u>\$ 11,223,182</u>	<u>\$ 12,318,255</u>	<u>\$ 40,831,201</u>	<u>\$ 40,658,915</u>

Governmental Activities

Governmental activities net position increased \$1,267,359 in 2014.

Security of persons and property, which includes police and fire department operations, accounted for \$6,826,698 or 42.54% of the total expenses of the City. Security of persons and property expenses were partially funded by \$83,827 in direct charges to users of the services. General government expenses totaled \$3,419,889. General government expenses were partially funded by \$835,827 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,338,278 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of this total, \$1,289,696 subsidized transportation programs.

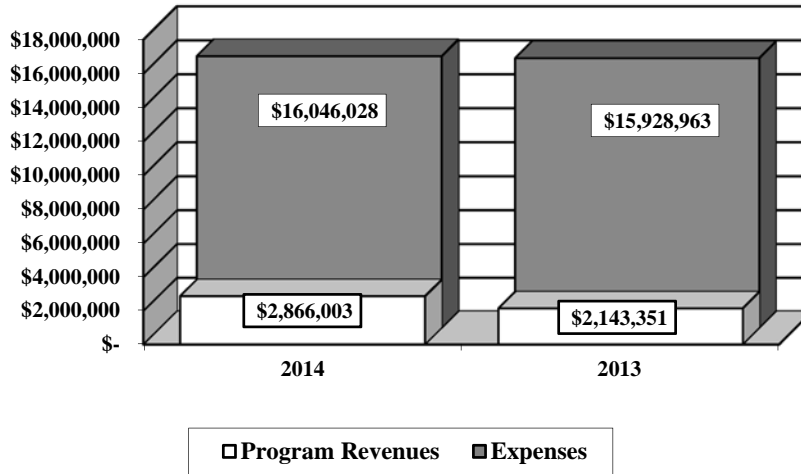
General revenues totaled \$14,213,946, and amounted to 83.22% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$12,620,019, as well as grants and entitlements not restricted to specific programs, including local government, making up \$1,357,905.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Governmental Activities – Program Revenues vs. Total Expenses



The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements for 2014 compared to 2013.

Governmental Activities

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 3,419,889	\$ 2,583,923	\$ 2,978,002	\$ 2,238,495
Security of persons and property	6,826,698	6,741,324	6,467,438	6,392,679
Public health and welfare	636,974	631,929	382,503	372,723
Transportation	1,544,538	254,143	2,304,080	1,561,812
Community environment	552,436	198,543	476,682	198,548
Leisure time activities	974,154	678,831	1,067,376	768,591
Basic utility services	1,828,828	1,828,821	1,949,989	1,949,871
Interest and fiscal charges	262,511	262,511	302,893	302,893
Total Expenses	\$ 16,046,028	\$ 13,180,025	\$ 15,928,963	\$ 13,785,612

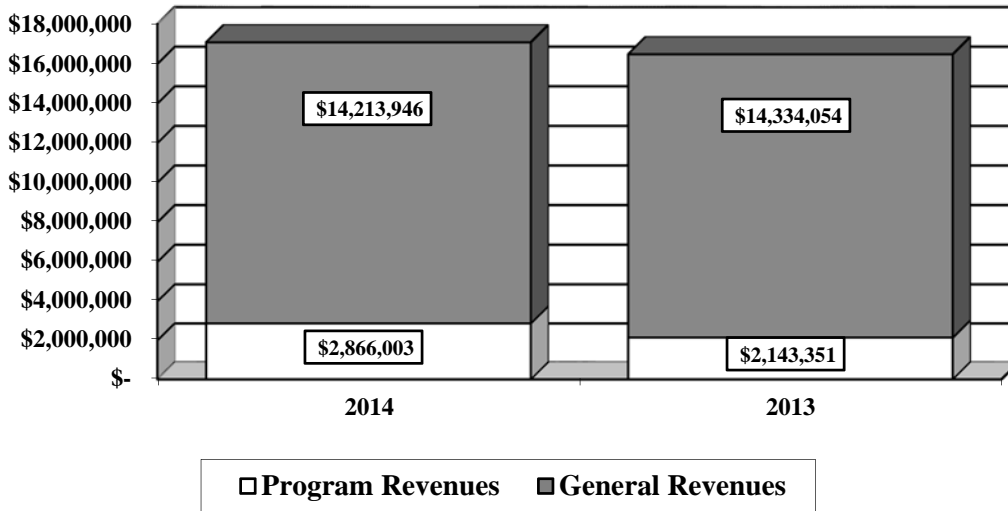
The dependence upon general revenues for governmental activities is apparent, with 82.14% of expenses supported through taxes and other general revenues.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

The chart below illustrates the City's program revenues versus general revenues for 2014 and 2013.

Governmental Activities – General and Program Revenues

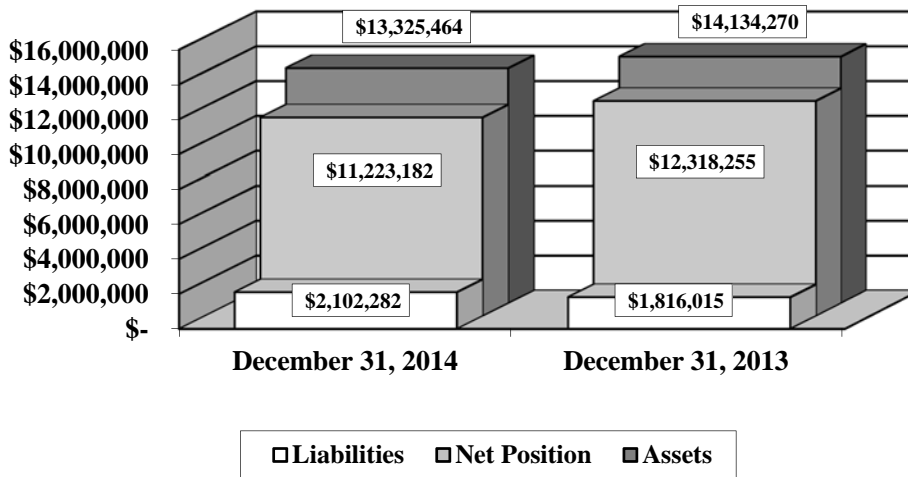


Business-type Activities

Business-type activities include the sewer and swimming pool enterprise funds. These programs had program revenues of \$2,580,425, general revenues of \$100, transfers-out of \$233,438 and expenses of \$3,442,160 for 2014.

The graph below shows the business-type activities assets, liabilities and net position at December 31, 2014 and December 31, 2013.

Net Position in Business – Type Activities



CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$10,351,610 which is \$908,785 higher than last year's total of \$9,442,825. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2014 for all major and non-major governmental funds. The street construction maintenance and repair fund was major in 2013, but was not a major fund in 2014, and therefore is included in other nonmajor.

	Fund Balances 12/31/14	Fund Balances (Deficits) 12/31/13	Increase/ (Decrease)
Major funds:			
General	\$ 2,678,735	\$ 2,349,448	\$ 329,287
Street construction maintenance and repair	-	(1,178,811)	1,178,811
General obligation bond retirement	4,843,472	4,535,786	307,686
Other nonmajor governmental funds	<u>2,829,403</u>	<u>3,736,402</u>	<u>(906,999)</u>
Total	<u>\$ 10,351,610</u>	<u>\$ 9,442,825</u>	<u>\$ 908,785</u>

General Fund

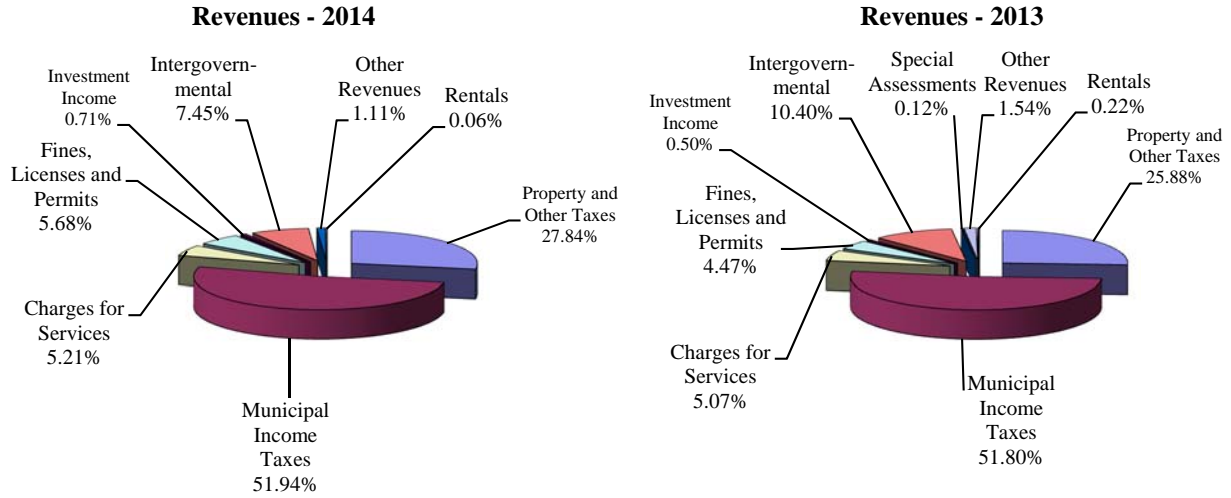
The City's general fund balance increased \$329,287. The table that follows assists in illustrating the revenues of the general fund.

	2014 Amount	2013 Amount	Increase/ (Decrease)	Percentage Change
Revenues				
Municipal income taxes	\$ 5,822,823	\$ 5,794,974	\$ 27,849	0.48 %
Property and other taxes	3,122,461	2,895,569	226,892	7.84 %
Charges for services	584,631	566,787	17,844	3.15 %
Fines, licenses and permits	636,464	499,961	136,503	27.30 %
Intergovernmental	835,868	1,163,823	(327,955)	(28.18) %
Special assessments	-	12,958	(12,958)	(100.00) %
Investment income	80,130	55,584	24,546	44.16 %
Rental income	7,241	25,012	(17,771)	(71.05) %
Contributions and donations	8,157	10,347	(2,190)	(21.17) %
Miscellaneous	<u>116,288</u>	<u>162,247</u>	<u>(45,959)</u>	<u>(28.33) %</u>
Total	<u>\$ 11,214,063</u>	<u>\$ 11,187,262</u>	<u>\$ 26,801</u>	0.24 %

Revenue of the general fund increased \$26,801 or 0.24%. Tax revenue (income tax, property and other taxes) represents 79.77% of all general fund revenue. Tax revenue increased \$254,741 over prior year. This increase is primarily due to an increase in property taxes received during the year. The increase in fines, licenses and permits of \$136,503 is due to increased building permits in the City. Intergovernmental revenue decreased \$327,955 due to a decrease in estate tax revenues.

CITY OF BAY VILLAGE, OHIO

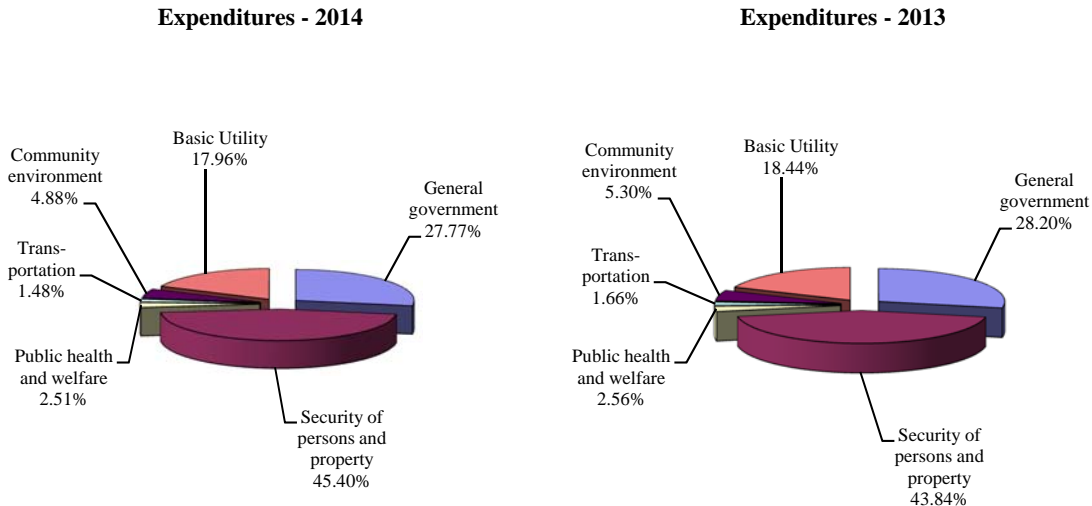
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**



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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government	\$ 2,810,123	\$ 2,774,933	\$ 35,190	1.27 %
Security of persons and property	4,594,275	4,314,270	280,005	6.49 %
Public health and welfare	254,006	251,875	2,131	0.85 %
Transportation	149,855	163,228	(13,373)	(8.19) %
Community environment	493,608	521,414	(27,806)	(5.33) %
Basic utility services	<u>1,817,480</u>	<u>1,814,269</u>	<u>3,211</u>	0.18 %
Total	<u>\$ 10,119,347</u>	<u>\$ 9,839,989</u>	<u>\$ 279,358</u>	2.84 %

General fund expenditures increased \$279,358 or 2.84%. The increases in general government, security of persons and property, public health and welfare, and basic utility services are due to increased spending throughout the City.



CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Budgeting Highlights

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

In the general fund, the actual revenues and other financing sources came in \$45,265 higher than they were in the final budget and actual expenditures and other financing uses were \$94,716 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$472,047 from the original to the final budget and budgeted revenues and other financings sources were increased \$570,661 from the original to the final budget.

General Obligation Bond Retirement Fund

The general obligation bond retirement fund had revenues and other financing sources of \$3,102,105 in 2014. The expenditures and other financing uses of the general obligation bond retirement fund totaled \$2,794,419 in 2014. The net increase in fund balance for the general obligation bond retirement fund was \$307,686 or 6.78%. The increase in fund balance is mainly the result of revenues being sufficient to cover principal and interest payments.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the City had \$32,699,898 (net of accumulated depreciation) invested in land, land improvements, buildings, machinery and equipment, software, vehicles, and infrastructure. Of this total, \$24,093,536 was reported in governmental activities and \$8,606,362 was reported in business-type activities. The following table shows December 31, 2014 balances compared to December 31, 2013:

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

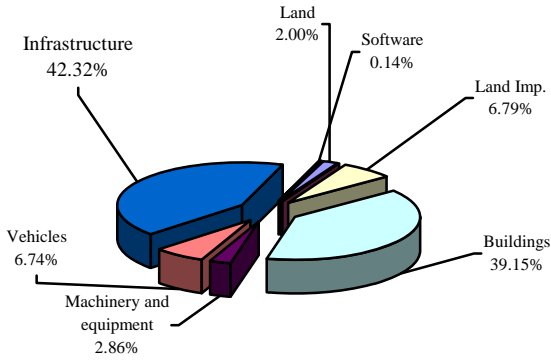
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 481,467	\$ 481,467	\$ 40,000	\$ 40,000	\$ 521,467	\$ 521,467
Construction in Progress	-	768,833	-	1,073,501	-	1,842,334
Land improvements	1,635,295	1,735,086	526,686	573,062	2,161,981	2,308,148
Buildings	9,433,703	9,324,013	1,319,955	1,273,393	10,753,658	10,597,406
Machinery and equipment	688,708	762,302	245,191	293,017	933,899	1,055,319
Software	33,486	38,270	-	-	33,486	38,270
Vehicles	1,623,691	1,734,113	436,287	494,020	2,059,978	2,228,133
Infrastructure						
Roads	9,459,390	8,419,916	-	-	9,459,390	8,419,916
Sewer lines	-	-	6,038,243	4,600,107	6,038,243	4,600,107
Culverts	194,245	199,055	-	-	194,245	199,055
Traffic signals	543,551	578,755	-	-	543,551	578,755
Totals	<u>\$ 24,093,536</u>	<u>\$ 24,041,810</u>	<u>\$ 8,606,362</u>	<u>\$ 8,347,100</u>	<u>\$ 32,699,898</u>	<u>\$ 32,388,910</u>

CITY OF BAY VILLAGE, OHIO

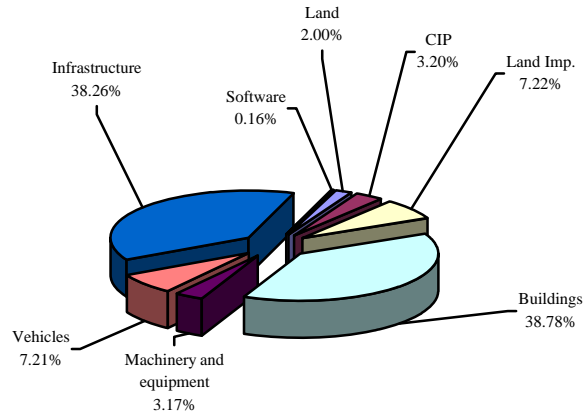
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

The following graphs show the breakdown of governmental capital assets by category for 2014 and 2013.

**Capital Assets - Governmental Activities
December 31, 2014**



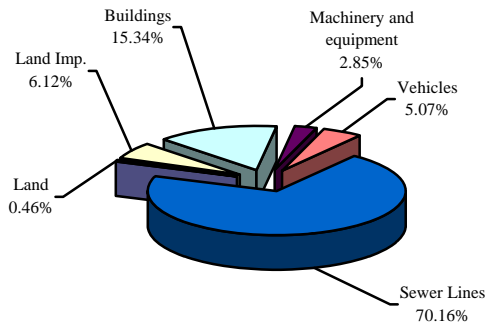
**Capital Assets - Governmental Activities
December 31, 2013**



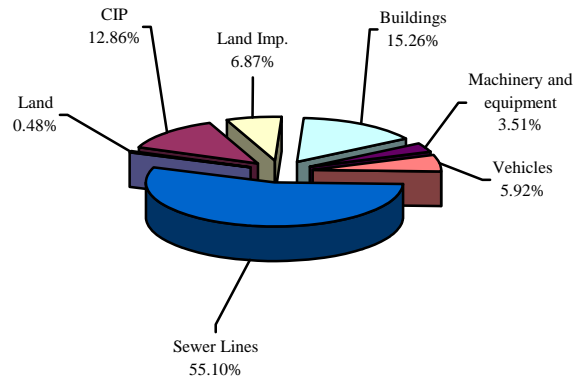
Infrastructure includes roads, culverts and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 42.32% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2014 and 2013.

**Capital Assets - Business-Type Activities
December 31, 2014**



**Capital Assets - Business-Type Activities
December 31, 2013**



The City's largest business-type capital asset category is sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's sewer lines (cost less accumulated depreciation) represents approximately 70.16% of the City's total business-type capital assets.

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

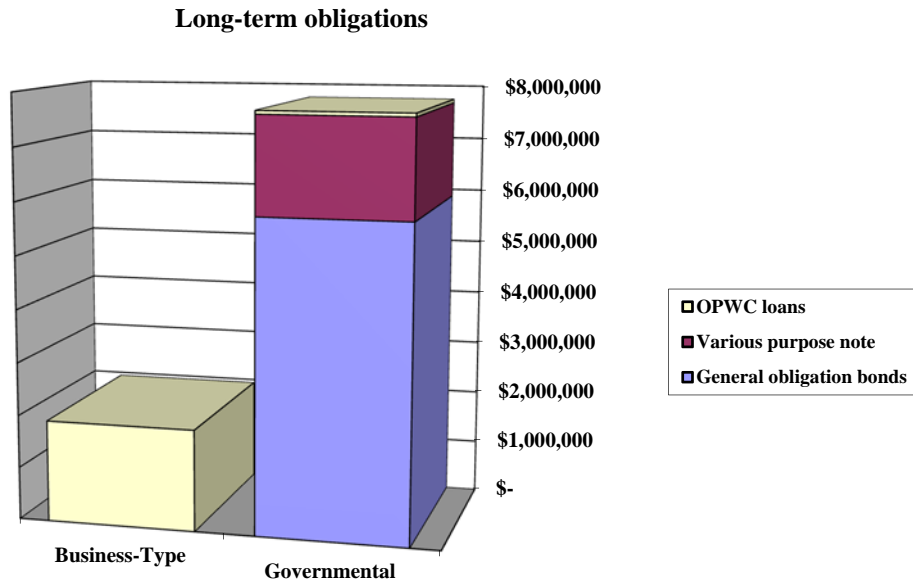
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2014 and 2013:

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 5,870,000	\$ 6,600,000
Various purpose note	1,806,000	1,000,000
OPWC loan	<u>65,762</u>	<u>73,069</u>
Total long-term obligations	<u>\$ 7,741,762</u>	<u>\$ 7,673,069</u>

	Business-type Activities	
	<u>2014</u>	<u>2013</u>
OPWC loans	<u>1,931,923</u>	<u>1,277,280</u>
Total long-term obligations	<u>\$ 1,931,923</u>	<u>\$ 1,277,280</u>

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



Further detail on the City's long-term obligations can be found in Note 12 to the financial statements.

Current Financial Related Activities

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

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

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

The City remains committed to improving facilities and services. In 2014 the Mayor obtained a grant from the State of Ohio for the Directors to attend the State's Lean Six Sigma course. The course is designed to review and streamline functions to make them more efficient, more responsive to end-user needs, and cost effective. Beginning in 2014 and thru 2015 the Mayor will conduct Process Mapping sessions to review and refine the significant processes through each department.

- The Fire Department applied for a Safety Grant through the Bureau of Workers' Compensation to assist in funding the purchase of safety related equipment.
- The Mayor applied for a \$40,000 grant from the Northeast Ohio Area Coordinating Agency (NOACA). The grant is a "Transportation for Livable Communities Initiative" (TLCI) planning grant and it is intended to develop and increase connectivity between the Cleveland Metroparks and Bay Village's primary park locations. It will also be used to provide additional access to the Lake.
- The Fire Department purchased two ECG monitors at a cost of \$58,000.
- The Sewer Department received a new sewer camera truck at a cost of \$273,500.
- During 2015 the City will complete a fiber optic project to fully link all city facilities.
- The Police Department will upgrade their software system to one that provides enhanced efficiency by reducing redundancy in report writing and the dissemination of information.
- During 2015 a computerized fuel system will be installed at the Service Department.
- The Green Team was awarded a \$5,000 grant from the Cuyahoga County Solid Waste District. The funds will be used to educate residents about recycling and promote recycling practices.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Renee Mahoney, City of Bay Village, 350 Dover Center Road, Bay Village, OH 44140, telephone 440-871-2200 or e-mail at rmahoney@cityofbayvillage.com. Other information about the City is available on our website, www.cityofbayvillage.com.

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CITY OF BAY VILLAGE, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 10,861,392	\$ 280,687	\$ 11,142,079
Receivables:			
Municipal income taxes	2,498,275	-	2,498,275
Property and other taxes	7,463,384	-	7,463,384
Accounts	191,272	223,577	414,849
Accrued interest	7,182	-	7,182
Special assessments	54,388	-	54,388
Intergovernmental	981,852	-	981,852
Materials and supplies inventory	69,739	4,274	74,013
Prepayments	90,873	865	91,738
Internal balance	58,288	(58,288)	-
Investment in joint venture	-	4,267,987	4,267,987
Capital assets:			
Non-depreciable capital assets	481,467	40,000	521,467
Depreciable capital assets, net	23,612,069	8,566,362	32,178,431
Total capital assets, net	24,093,536	8,606,362	32,699,898
Total assets	46,370,181	13,325,464	59,695,645
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	243,270	-	243,270
Total deferred outflows of resources	243,270	-	243,270
Total assets and deferred outflows of resources	46,613,451	13,325,464	59,938,915
Liabilities:			
Accounts payable	298,830	18,385	317,215
Contracts payable	-	4,226	4,226
Accrued wages and benefits payable	164,047	10,648	174,695
Intergovernmental payable	166,456	9,141	175,597
Accrued interest payable	18,674	-	18,674
Claims payable	125,431	-	125,431
Vacation benefits payable	449,108	33,381	482,489
Note payable	514,000	-	514,000
Long-term liabilities:			
Due within one year	808,565	99,626	908,191
Due in more than one year	7,938,225	1,926,875	9,865,100
Total liabilities	10,483,336	2,102,282	12,585,618
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	6,522,096	-	6,522,096
Total deferred inflows of resources	6,522,096	-	6,522,096
Total liabilities and deferred inflows of resources	17,005,432	2,102,282	19,107,714
Net position:			
Net investment in capital assets	16,428,666	6,674,439	23,103,105
Restricted for:			
Debt service	19,104	-	19,104
Capital projects	13,823	-	13,823
Waldeck estates:			
Expendable	6,216	-	6,216
Nonexpendable	163,623	-	163,623
General government programs	11,087	-	11,087
Security of persons and property programs	230,387	-	230,387
Public health and welfare programs	58,065	-	58,065
Transportation programs	71,757	-	71,757
Community environment programs	9,027	-	9,027
Leisure time activity programs	24,672	-	24,672
Cahoon Library	79,003	-	79,003
Cahoon Park	22,373	-	22,373
Other purposes	149,052	-	149,052
Unrestricted	12,321,164	4,548,743	16,869,907
Total net position	\$ 29,608,019	\$ 11,223,182	\$ 40,831,201

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,419,889	\$ 835,827	\$ 139	\$ -
Security of persons and property	6,826,698	83,827	1,547	-
Public health and welfare	636,974	-	5,045	-
Transportation	1,544,538	-	1,289,696	699
Community environment	552,436	345,229	8,664	-
Leisure time activity	974,154	262,143	33,180	-
Basic utility services	1,828,828	-	7	-
Interest and fiscal charges	262,511	-	-	-
Total governmental activities	<u>16,046,028</u>	<u>1,527,026</u>	<u>1,338,278</u>	<u>699</u>
Business-type activities:				
Sewer	2,940,148	2,247,506	-	-
Pool	502,012	332,919	-	-
Total business-type activities	<u>3,442,160</u>	<u>2,580,425</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 19,488,188</u>	<u>\$ 4,107,451</u>	<u>\$ 1,338,278</u>	<u>\$ 699</u>

General revenues:

Property taxes levied for:
General purposes
Emergency Paramedic
Parks and recreation
Police Pension
Fire Pension
Debt service
Income taxes levied for:
General purposes
Accrued benefits
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net position
Net position at beginning of year
Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (2,583,923)	\$ -	\$ (2,583,923)
(6,741,324)	-	(6,741,324)
(631,929)	-	(631,929)
(254,143)	-	(254,143)
(198,543)	-	(198,543)
(678,831)	-	(678,831)
(1,828,821)	-	(1,828,821)
(262,511)	-	(262,511)
<u>(13,180,025)</u>	<u>-</u>	<u>(13,180,025)</u>
-	(692,642)	(692,642)
-	(169,093)	(169,093)
-	<u>(861,735)</u>	<u>(861,735)</u>
<u>(13,180,025)</u>	<u>(861,735)</u>	<u>(14,041,760)</u>
3,047,624	-	3,047,624
1,003,620	-	1,003,620
222,536	-	222,536
307,856	-	307,856
307,172	-	307,172
1,746,323	-	1,746,323
5,865,189	-	5,865,189
119,699	-	119,699
1,357,905	-	1,357,905
107,924	-	107,924
128,098	100	128,198
<u>14,213,946</u>	<u>100</u>	<u>14,214,046</u>
<u>233,438</u>	<u>(233,438)</u>	<u>-</u>
<u>14,447,384</u>	<u>(233,338)</u>	<u>14,214,046</u>
1,267,359	(1,095,073)	172,286
<u>28,340,660</u>	<u>12,318,255</u>	<u>40,658,915</u>
<u>\$ 29,608,019</u>	<u>\$ 11,223,182</u>	<u>\$ 40,831,201</u>

CITY OF BAY VILLAGE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 1,571,164	\$ 2,758,472	\$ 4,877,634	\$ 9,207,270
Receivables:				
Municipal income taxes	2,448,309	-	49,966	2,498,275
Property and other taxes	3,446,180	1,948,494	2,068,710	7,463,384
Accounts	188,525	-	2,747	191,272
Accrued interest	7,182	-	-	7,182
Special assessments	13,141	-	41,247	54,388
Intergovernmental	401,093	133,807	446,952	981,852
Loans	-	1,855,000	134,000	1,989,000
Materials and supplies inventory	7,097	-	62,642	69,739
Prepayments	90,873	-	-	90,873
Total assets	<u>\$ 8,173,564</u>	<u>\$ 6,695,773</u>	<u>\$ 7,683,898</u>	<u>\$ 22,553,235</u>
Liabilities:				
Accounts payable	\$ 204,505	\$ -	\$ 94,325	\$ 298,830
Accrued wages and benefits payable	125,823	-	38,224	164,047
Compensated absences payable	-	-	54,793	54,793
Intergovernmental payable	70,651	-	95,805	166,456
Loans payable	-	-	1,820,000	1,820,000
Accrued interest payable	-	-	2,859	2,859
Note payable	-	-	514,000	514,000
Total liabilities	<u>400,979</u>	<u>-</u>	<u>2,620,006</u>	<u>3,020,985</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,022,799	1,696,228	1,803,069	6,522,096
Delinquent property tax revenue not available	39,381	22,266	23,641	85,288
Accrued interest not available	3,493	-	-	3,493
Special assessments revenue not available	13,141	-	41,247	54,388
Miscellaneous revenue not available	64,365	-	-	64,365
Income tax revenue not available	1,618,131	-	33,024	1,651,155
Other nonexchange transactions not available	332,540	133,807	333,508	799,855
Total deferred inflows of resources	<u>5,093,850</u>	<u>1,852,301</u>	<u>2,234,489</u>	<u>9,180,640</u>
Fund balances:				
Nonspendable	97,970	-	226,265	324,235
Restricted	-	-	582,219	582,219
Committed	19,085	4,843,472	3,674,645	8,537,202
Assigned	76,852	-	-	76,852
Unassigned (deficit)	2,484,828	-	(1,653,726)	831,102
Total fund balances	<u>2,678,735</u>	<u>4,843,472</u>	<u>2,829,403</u>	<u>10,351,610</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,173,564</u>	<u>\$ 6,695,773</u>	<u>\$ 7,683,898</u>	<u>\$ 22,553,235</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014

Total governmental fund balances	\$	10,351,610
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,093,536
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Municipal income taxes receivable	\$ 1,651,155	
Property and other taxes receivable	85,288	
Accounts receivable	64,365	
Accrued interest receivable	3,493	
Special assessments receivable	54,388	
Intergovernmental receivable	799,855	
Total	2,658,544	2,658,544
Two internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net position. The net position of the internal services fund, including internal balance of (\$110,712) are:		1,417,979
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(15,815)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		243,270
Vacation benefits payable are not expected to be paid with expendable available resources and therefore are not reported in the funds.		(449,108)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(783,857)	
Various purpose notes	(1,806,000)	
OPWC loan	(65,762)	
General obligation bonds payable	(5,870,000)	
Bond premiums	(166,378)	
Total	(8,691,997)	(8,691,997)
Net position of governmental activities	\$	29,608,019

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, 2014

	General	General Obligation Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal income taxes	\$ 5,822,823	\$ -	\$ 118,834	\$ 5,941,657
Property and other taxes	3,122,461	1,788,638	1,886,110	6,797,209
Charges for services.	584,631	-	213,019	797,650
Fines licenses and permits	636,464	-	2,975	639,439
Intergovernmental.	835,868	267,613	1,504,696	2,608,177
Special assessments	-	-	47,012	47,012
Investment income.	80,130	27,747	3,642	111,519
Rental income	7,241	-	55,786	63,027
Contributions and donations.	8,157	-	25,204	33,361
Other	116,288	3,653	86,369	206,310
Total revenues	<u>11,214,063</u>	<u>2,087,651</u>	<u>3,943,647</u>	<u>17,245,361</u>
Expenditures:				
Current:				
General government	2,810,123	-	107,396	2,917,519
Security of persons and property	4,594,275	-	2,147,835	6,742,110
Public health and welfare.	254,006	-	4,971	258,977
Transportation	149,855	-	911,166	1,061,021
Community environment	493,608	-	21,954	515,562
Leisure time activity	-	-	984,588	984,588
Basic utility services	1,817,480	-	5,552	1,823,032
Capital outlay	-	-	1,692,693	1,692,693
Debt service:				
Principal retirement.	-	1,737,307	-	1,737,307
Interest and fiscal charges	-	264,032	5,359	269,391
Note issuance costs	-	10,580	-	10,580
Total expenditures	<u>10,119,347</u>	<u>2,011,919</u>	<u>5,881,514</u>	<u>18,012,780</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,094,716</u>	<u>75,732</u>	<u>(1,937,867)</u>	<u>(767,419)</u>
Other financing sources (uses):				
Note issuance	-	1,000,000	806,000	1,806,000
Transfers in	-	-	1,949,300	1,949,300
Transfers (out).	(765,429)	(782,500)	(545,621)	(2,093,550)
Premium on note issuance.	-	14,454	-	14,454
Total other financing sources (uses)	<u>(765,429)</u>	<u>231,954</u>	<u>2,209,679</u>	<u>1,676,204</u>
Net change in fund balances	329,287	307,686	271,812	908,785
Fund balances				
at beginning of year	2,349,448	4,535,786	2,557,591	9,442,825
Fund balances at end of year	<u>\$ 2,678,735</u>	<u>\$ 4,843,472</u>	<u>\$ 2,829,403</u>	<u>\$ 10,351,610</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, 2014

Net change in fund balances - total governmental funds	\$	908,785
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 1,343,555	
Current year depreciation	<u>(1,632,149)</u>	
Total		(288,594)
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. This amount includes capital contributions from the sewer fund of \$377,688 and disposals of (\$37,368)		
		340,320
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	43,231	
Property and other taxes	(162,078)	
Charges for services	25,348	
Intergovernmental	(29,207)	
Special assessments	(42,753)	
Investment income	<u>47</u>	
Total		(165,412)
 Proceeds of notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(1,806,000)
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,737,307
 Premiums on notes are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(14,454)

--Continued

CITY OF BAY VILLAGE, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Accrued interest payable	\$	7,649	
Amortization of deferred amounts on refunding		(17,481)	
Amortization of bond premiums		27,292	
Total	\$		17,460

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

Compensated absences		6,170	
Vacation benefits payable		94,704	
Total			100,874

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

437,073

Change in net position of governmental activities

\$ 1,267,359

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 5,501,486	\$ 5,800,000	\$ 5,902,470	\$ 102,470
Real and other taxes.	2,810,367	2,962,859	2,986,273	23,414
Charges for services.	547,018	576,700	564,511	(12,189)
Fines, licenses and permits	582,494	614,100	613,452	(648)
Intergovernmental.	872,703	920,056	873,604	(46,452)
Investment income.	71,140	75,000	47,703	(27,297)
Rental income	17,074	18,000	17,410	(590)
Contributions and donations.	9,485	10,000	8,157	(1,843)
Other	72,088	76,000	84,400	8,400
Total revenues	<u>10,483,855</u>	<u>11,052,715</u>	<u>11,097,980</u>	<u>45,265</u>
Expenditures:				
Current:				
General government	5,275,066	2,602,689	2,608,084	(5,395)
Security of persons and property	4,453,008	4,681,057	4,635,402	45,655
Public health and welfare.	226,613	215,613	214,679	934
Transportation	402	201,402	151,169	50,233
Community environment	265,548	567,148	554,939	12,209
Utility services	9,335	1,824,260	1,834,180	(9,920)
Total expenditures	<u>10,229,972</u>	<u>10,092,169</u>	<u>9,998,453</u>	<u>93,716</u>
Excess of revenues over expenditures.	<u>253,883</u>	<u>960,546</u>	<u>1,099,527</u>	<u>138,981</u>
Other financing sources (uses):				
Advances in	33,199	35,000	35,000	-
Transfers (out).	<u>(568,329)</u>	<u>(1,178,179)</u>	<u>(1,177,179)</u>	<u>1,000</u>
Total other financing sources (uses)	<u>(535,130)</u>	<u>(1,143,179)</u>	<u>(1,142,179)</u>	<u>1,000</u>
Net change in fund balances	(281,247)	(182,633)	(42,652)	139,981
Fund balances at beginning of year	901,154	901,154	901,154	-
Prior year encumbrances appropriated	160,449	160,449	160,449	-
Fund balance at end of year	<u>\$ 780,356</u>	<u>\$ 878,970</u>	<u>\$ 1,018,951</u>	<u>\$ 139,981</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 108,065	\$ 172,622	\$ 280,687	\$ 1,654,122
Receivables:				
Accounts	223,577	-	223,577	-
Materials and supplies inventory	4,274	-	4,274	-
Prepayments	-	865	865	-
Total current assets	<u>335,916</u>	<u>173,487</u>	<u>509,403</u>	<u>1,654,122</u>
Noncurrent assets:				
Investment in joint venture	4,267,987	-	4,267,987	-
Capital assets:				
Non-depreciable capital assets	40,000	-	40,000	-
Depreciable capital assets, net	<u>7,080,591</u>	<u>1,485,771</u>	<u>8,566,362</u>	-
Total capital assets, net	<u>7,120,591</u>	<u>1,485,771</u>	<u>8,606,362</u>	-
Total noncurrent assets	<u>11,388,578</u>	<u>1,485,771</u>	<u>12,874,349</u>	-
Total assets	<u>11,724,494</u>	<u>1,659,258</u>	<u>13,383,752</u>	<u>1,654,122</u>
Liabilities:				
Current liabilities:				
Accounts payable	17,300	1,085	18,385	-
Contracts payable	4,226	-	4,226	-
Accrued wages and benefits payable	10,648	-	10,648	-
Claims payable	-	-	-	125,431
Intergovernmental payable	9,066	75	9,141	-
Vacation benefits payable	33,381	-	33,381	-
Compensated absences payable	30,978	-	30,978	-
Loans payable	169,000	-	169,000	-
OPWC loans payable	<u>68,648</u>	-	<u>68,648</u>	-
Total current liabilities	<u>343,247</u>	<u>1,160</u>	<u>344,407</u>	<u>125,431</u>
Long-term liabilities:				
Compensated absences payable	63,600	-	63,600	-
OPWC loans payable	<u>1,863,275</u>	-	<u>1,863,275</u>	-
Total long-term liabilities	<u>1,926,875</u>	-	<u>1,926,875</u>	-
Total liabilities	<u>2,270,122</u>	<u>1,160</u>	<u>2,271,282</u>	<u>125,431</u>
Net position:				
Net investment in capital assets	5,188,668	1,485,771	6,674,439	-
Unrestricted	<u>4,265,704</u>	<u>172,327</u>	<u>4,438,031</u>	<u>1,528,691</u>
Total net position	<u>\$ 9,454,372</u>	<u>\$ 1,658,098</u>	<u>11,112,470</u>	<u>\$ 1,528,691</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			<u>110,712</u>	
Net position of business-type activities			<u>\$ 11,223,182</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	Activities - Internal Service Funds
Operating revenues:				
Charges for services	\$ 2,247,506	\$ 332,919	\$ 2,580,425	\$ 1,369,304
Other	-	100	100	306,108
Total operating revenues.	<u>2,247,506</u>	<u>333,019</u>	<u>2,580,525</u>	<u>1,675,412</u>
Operating expenses:				
Personal services	599,038	181,023	780,061	-
Benefits.	215,639	30,972	246,611	-
Contract services.	1,403,789	121,132	1,524,921	253,051
Materials and supplies.	44,545	62,756	107,301	-
Depreciation.	270,518	105,524	376,042	-
Claims expense	-	-	-	941,502
Other	570	422	992	1,082
Total operating expenses.	<u>2,534,099</u>	<u>501,829</u>	<u>3,035,928</u>	<u>1,195,635</u>
Operating income (loss)	<u>(286,593)</u>	<u>(168,810)</u>	<u>(455,403)</u>	<u>479,777</u>
Nonoperating expenses:				
Interest and fiscal charges	(64,541)	-	(64,541)	-
Loss on disposal of capital assets	(29,588)	-	(29,588)	-
Equity loss in joint venture	(354,807)	-	(354,807)	-
Total nonoperating expenses.	<u>(448,936)</u>	<u>-</u>	<u>(448,936)</u>	<u>-</u>
Income (loss) before transfers	(735,529)	(168,810)	(904,339)	479,777
Transfer in	144,250	-	144,250	-
Transfer out	<u>(377,688)</u>	<u>-</u>	<u>(377,688)</u>	<u>-</u>
Change in net position	(968,967)	(168,810)	(1,137,777)	479,777
Net position at beginning of year	<u>10,423,339</u>	<u>1,826,908</u>		<u>1,048,914</u>
Net position at end of year	<u>\$ 9,454,372</u>	<u>\$ 1,658,098</u>		<u>\$ 1,528,691</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.			<u>42,704</u>	
Change in net position of business-type activities.			<u>\$ (1,095,073)</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, 2014

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from charges for services	\$ 2,204,255	\$ 332,919	\$ 2,537,174	\$ -
Cash received from transactions with other funds	-	-	-	1,529,600
Cash received from other operations	-	100	100	145,812
Cash payments for personal services	(585,836)	(180,948)	(766,784)	-
Cash payments for employee services and benefits	(215,639)	(30,972)	(246,611)	-
Cash payments for contractual services	(1,444,277)	(121,798)	(1,566,075)	(255,377)
Cash payments for materials and supplies	(52,105)	(62,756)	(114,861)	-
Cash payments for claims	-	-	-	(971,817)
Cash payments for other expenses	(570)	(422)	(992)	(1,082)
Net cash provided by (used in) operating activities	(94,172)	(63,877)	(158,049)	447,136
Cash flows from noncapital financing activities:				
Cash received from transfers in	144,250	-	144,250	-
Cash used in repayment of interfund loans	(756,000)	-	(756,000)	-
Net cash used in noncapital financing activities	(611,750)	-	(611,750)	-
Cash flows from capital and related financing activities:				
Cash received from OPWC loan issuance	705,970	-	705,970	-
Acquisition of capital assets	(1,379,389)	-	(1,379,389)	-
Principal retirement on OPWC loans	(51,327)	-	(51,327)	-
Interest and fiscal charges	(64,541)	-	(64,541)	-
Net cash used in capital and related financing activities	(789,287)	-	(789,287)	-
Cash flows from investing activities:				
Capital contributed to joint venture	(207,328)	-	(207,328)	-
Net cash used in investing activities	(207,328)	-	(207,328)	-
Net increase (decrease) in cash and cash equivalents	(1,702,537)	(63,877)	(1,766,414)	447,136
Cash and investments at beginning of year	1,810,602	236,499	2,047,101	1,206,986
Cash and investments at end of year	\$ 108,065	\$ 172,622	\$ 280,687	\$ 1,654,122

- - Continued

CITY OF BAY VILLAGE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (286,593)	\$ (168,810)	\$ (455,403)	\$ 479,777
Adjustments:				
Depreciation.	270,518	105,524	376,042	-
Changes in assets and liabilities:				
Materials and supplies inventory	(3,870)	-	(3,870)	-
Accounts receivable.	(43,251)	-	(43,251)	-
Accounts payable	11,788	(666)	11,122	-
Contracts payable	(55,966)	-	(55,966)	-
Accrued wages and benefits	(1,410)	-	(1,410)	-
Intergovernmental payable.	1,573	75	1,648	(2,326)
Compensated absences payable	14,959	-	14,959	-
Vacation benefits payable	(1,920)	-	(1,920)	-
Claims payable	-	-	-	(30,315)
Net cash provided by (used in) operating activities	<u>\$ (94,172)</u>	<u>\$ (63,877)</u>	<u>\$ (158,049)</u>	<u>\$ 447,136</u>

Non-cash transactions:

During 2013, the sewer fund received \$336,809 in capital assets purchased on account.
 During 2014, the sewer fund purchased \$377,688 in capital assets for governmental activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$ 96,604
Total assets	<u>\$ 96,604</u>
Liabilities:	
Undistributed monies	<u>96,604</u>
Total liabilities	<u>\$ 96,604</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF CITY AND REPORTING ENTITY

The City of Bay Village (the "City") was incorporated in 1908, and adopted its first charter in April, 1949. The Charter provides for a Mayor-Council form of government. The Mayor is elected for a four-year term. Four Ward Council members are elected to 2-year terms; two At-Large Council members and the Council President are elected to 4-year terms. The Director of Law and the Director of Finance are appointed by the Mayor.

Reporting Entity

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The Rocky River Wastewater Treatment Plant is a joint venture among the Cities of Bay Village, Westlake, Rocky River and Fairview Park. The Rocky River Wastewater Treatment Plant is governed by a management committee consisting of the elected mayors, or their designee, of the four cities and a fifth person nominated and elected by the mayors. The committee has complete authority over all aspects of the plant's operation. The City has an explicit and measurable interest in the Rocky River Wastewater Treatment Plant. There exists a residual interest in the assets upon dissolution of the joint venture. The City also has an ongoing financial responsibility for its share of the joint venture liabilities (See Note 13).

The City is associated with the West Shore Council of Governments, Safe Air for Environment (S.A.F.E.) Council of Governments and the West Shore Area Rescue Association. These are jointly governed organizations and are presented in Note 14.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City are presented as of December 31, 2014 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

The more significant of the City's accounting policies are described below.

A. Basis of Presentation

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

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

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City reports 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, 2014

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

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

The following are the City's major governmental funds:

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

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

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

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

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

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

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

C. Measurement Focus

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

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

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

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

The agency funds do not report a measurement focus as they do not report operations.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 5.B.). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5.A.). Revenue from grants, entitlements and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

E. Cash and Investments

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

During the year, the City's investments were limited to Federal National Mortgage Association (FNMA) securities and negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2014 amounted to \$80,130, which includes \$70,624 assigned from other City funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

H. Capital Assets

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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
Machinery and equipment	5 - 20 years
Software	10 years
Vehicles	3 - 12 years
Infrastructure	20 - 50 years

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

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". At December 31, 2014, there were no interfund loans receivable/payable. On fund financial statements, receivables and payables resulting from long-term interfund loans are "loans receivable/loans payable". In the general fund, long-term interfund loans which do not represent available expendable resources are offset by a nonspendable fund balance. At year-end, the City had \$1,855,000 in loans receivable/loans payable related to internal borrowings (manuscript bonds). Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

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

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

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

M. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net position reports \$858,189 of restricted net position, none of which are restricted by enabling legislation. Net position restricted for other purposes primarily include the resources restricted for the operations of the Bay Family Service and for alcohol intervention.

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

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. The City had \$377,688 in capital contributions from the sewer fund to governmental activities.

O. Bond Issuance Costs

Bond issuance costs are expensed when they occur.

P. Bond Premium

On government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 12.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Q. Unamortized Amount on Refunding

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

R. Interfund Activity

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

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

S. Budgetary Process

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

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

T. Estimates

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. The City did not have either for 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	
Street construction, maintenance and repair	\$ 760,964
Accrued benefits	36,114
Equipment replacement	643,474
Public improvements	149,646
Service garage restoration	13,732

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from reporting long-term interfund activity as a fund liability rather than as an other financing source (See Note 18 for details) and the recognition of accrued liabilities. These funds complied with Ohio state law, which does not permit a cash deficit at year-end.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

A. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all City deposits was \$8,048,533 and the bank balance of all City deposits was \$8,156,000. Of the bank balance, \$5,904,542 was exposed to custodial risk as described below while \$2,251,458 was covered by the FDIC. Although the securities were held by the pledging institution's trust department and all statutory requirements for the investment of the money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

Investments are reported at fair value. As of December 31, 2014, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Negotiable CD's	\$ 2,692,215	\$ 249,993	\$ 752,173	\$ 698,707	\$ -	\$ 991,342
FNMA	497,935	-	-	-	-	497,935
Total	<u>\$ 3,190,150</u>	<u>\$ 249,993</u>	<u>\$ 752,173</u>	<u>\$ 698,707</u>	<u>\$ -</u>	<u>\$ 1,489,277</u>

The weighted average maturity of investments is 1.80 years.

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

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 2,692,215	84.39
FNMA	497,935	15.61
Total	<u>\$ 3,190,150</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2014:

Cash and investments per note

Carrying amount of deposits	\$ 8,048,533
Investments	3,190,150
Total	<u>\$ 11,238,683</u>

Cash and investments per statement of net position

Governmental activities	\$ 10,861,392
Business-type activities	280,687
Fiduciary funds	96,604
Total	<u>\$ 11,238,683</u>

NOTE 5 - RECEIVABLES

Receivables at December 31, 2014, 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).

A. Property Taxes

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 5 - RECEIVABLES - (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Auditor collects property taxes on behalf of all taxing districts in the County, including the City of Bay Village. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2014 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2014 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2014 was \$14.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 479,064,630
Commercial/industrial/mineral	11,475,880
Public utility	<u>9,342,110</u>
Total assessed value	<u><u>\$ 499,882,620</u></u>

B. Income Tax

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

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, 98% of the annual income tax proceeds were credited to the general fund and 2% to the accrued benefits special revenue fund for 2014.

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

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 5 - RECEIVABLES - (Continued)

C. Intergovernmental Receivables

A summary of the governmental activities intergovernmental receivables follows:

	<u>Amount</u>
Estate tax	\$ 8,866
Local government	149,838
Gasoline tax	165,704
Gasoline excise tax	82,798
Motor vehicle tax	49,601
Permissive tax	6,516
Homestead and rollback	512,527
Other	6,002
Total	<u>\$ 981,852</u>

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CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - CAPITAL ASSETS

A. Governmental activities

Governmental activities capital asset activity for the year ended December 31, 2014 follows:

Governmental activities:	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<i>Capital assets, not being depreciated</i>				
Land	\$ 481,467	\$ -	\$ -	\$ 481,467
Construction in progress	768,833	216,763	(985,596)	-
<i>Total capital assets, not being depreciated</i>	<u>1,250,300</u>	<u>216,763</u>	<u>(985,596)</u>	<u>481,467</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,721,262	18,101	-	2,739,363
Buildings	13,431,626	466,868	(115,400)	13,783,094
Machinery and equipment	3,191,816	160,582	(5,800)	3,346,598
Software	47,838	-	-	47,838
Vehicles	4,896,161	298,564	(121,105)	5,073,620
Infrastructure:				
Roads	18,090,558	1,545,961	-	19,636,519
Culverts	273,724	-	-	273,724
Traffic signals	1,056,130	-	-	1,056,130
<i>Total capital assets, being depreciated</i>	<u>43,709,115</u>	<u>2,490,076</u>	<u>(242,305)</u>	<u>45,956,886</u>
Less accumulated depreciation:				
Land improvements	(986,176)	(117,892)	-	(1,104,068)
Buildings	(4,107,613)	(319,810)	78,032	(4,349,391)
Machinery and equipment	(2,429,514)	(234,176)	5,800	(2,657,890)
Software	(9,568)	(4,784)	-	(14,352)
Vehicles	(3,162,048)	(408,986)	121,105	(3,449,929)
Infrastructure:				
Roads	(9,670,642)	(506,487)	-	(10,177,129)
Culverts	(74,669)	(4,810)	-	(79,479)
Traffic signals	(477,375)	(35,204)	-	(512,579)
<i>Total accumulated depreciation</i>	<u>(20,917,605)</u>	<u>(1,632,149)</u>	<u>204,937</u>	<u>(22,344,817)</u>
Total capital assets being depreciated, net	<u>22,791,510</u>	<u>857,927</u>	<u>(37,368)</u>	<u>23,612,069</u>
Governmental activities capital assets, net	<u>\$ 24,041,810</u>	<u>\$ 1,074,690</u>	<u>\$ (1,022,964)</u>	<u>\$ 24,093,536</u>

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 6 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 85,746
Security of persons and property	431,754
Public health and welfare	407,484
Transportation	506,487
Leisure time activities	161,899
Community environment	<u>38,779</u>
Total depreciation expense	<u>\$ 1,632,149</u>

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CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - CAPITAL ASSETS - (Continued)

B. Business-type activities

Business-type activities capital asset activity for the year ended December 31, 2014 follows:

Business-type activities:	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
<i>Capital assets, not being depreciated:</i>				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	<u>1,073,501</u>	<u>202,809</u>	<u>(1,276,310)</u>	<u>-</u>
<i>Total capital assets, not being depreciated</i>	<u>1,113,501</u>	<u>202,809</u>	<u>(1,276,310)</u>	<u>40,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,003,880	-	-	1,003,880
Buildings	1,721,853	108,000	-	1,829,853
Machinery and equipment	856,490	-	-	856,490
Vehicles	1,083,773	-	-	1,083,773
Infrastructure:				
Sewer lines	<u>8,648,650</u>	<u>1,630,393</u>	<u>(58,075)</u>	<u>10,220,968</u>
<i>Total capital assets, being depreciated</i>	<u>13,314,646</u>	<u>1,738,393</u>	<u>(58,075)</u>	<u>14,994,964</u>
Less accumulated depreciation:				
Land improvements	(430,818)	(46,376)	-	(477,194)
Buildings	(448,460)	(61,438)	-	(509,898)
Machinery and equipment	(563,473)	(47,826)	-	(611,299)
Vehicles	(589,753)	(57,733)	-	(647,486)
Infrastructure:				
Sewer lines	<u>(4,048,543)</u>	<u>(162,669)</u>	<u>28,487</u>	<u>(4,182,725)</u>
<i>Total accumulated depreciation</i>	<u>(6,081,047)</u>	<u>(376,042)</u>	<u>28,487</u>	<u>(6,428,602)</u>
Total capital assets, being depreciated, net	<u>7,233,599</u>	<u>1,362,351</u>	<u>(29,588)</u>	<u>8,566,362</u>
Business-type activities capital assets, net	<u>\$ 8,347,100</u>	<u>\$ 1,565,160</u>	<u>\$ (1,305,898)</u>	<u>\$ 8,606,362</u>

Depreciation expense was charged to the enterprise funds as follows:

Sewer	\$270,518
Swimming pool	<u>105,524</u>
 Total depreciation expense	 <u>\$376,042</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 7 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the City contracted with St. Paul/Travelers and AAIC insurance companies for their insurance. The types and amounts of coverage are as follows:

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

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

B. Workers' Compensation

In 2014, the City participated in the Ohio Bureau of Workers' Compensation (BWC) retrospective rating and payment system. The rating is based on the claims experience of the prior year and for 2014 the City's discount rate was 59%. The retrospective plan also involves a third party administrator for claims administration and a payment of a minimum premium for administrative services and stop-loss coverage. In 2014, the third party administrator was Benefits One and the City paid them \$5,350. The actual claims cost for injured employees are paid to the BWC and in 2014 the City paid \$190,094 for incurred claims and \$60,216 was calculated for claims payable as of December 31, 2014.

Changes in the fund's claims liability amount in 2013 and 2014 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$ 73,638	\$ 176,672	\$ (190,094)	\$ 60,216
2013	31,232	198,077	(155,671)	73,638

C. Employee Health Care Benefits

The City manages health care benefits (medical and prescription drug) on a self-insured basis using an internal service fund. A third party administrator processes and pays the claims. The City purchases stop-loss coverage to insure against catastrophic claims. An excess coverage insurance (stop-loss) policy covers claims in excess of \$60,000 per employee.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 7 - RISK MANAGEMENT - (Continued)

The claims liability of \$65,215 reported in the fund at December 31, 2014, was estimated by reviewing current claims and is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount in 2013 and 2014 were:

		Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$	82,108	\$ 764,830	\$ (781,723)	\$ 65,215
2013		137,039	1,047,423	(1,102,354)	82,108

NOTE 8 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8 - PENSION PLANS - (Continued)

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$462,867, \$508,438, and \$400,236, respectively; 90.54% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 pension liability has been reported as an intergovernmental payable on the basic financial statements. Contributions to the Member-Directed Plan for 2014 were \$3,616 made by the City and \$2,583 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$344,587 and \$458,385 for the year ended December 31, 2014, \$239,700 and \$323,760 for the year ended December 31, 2013, and \$212,675 and \$321,847, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 89.91% has been contributed for police and 91.80% has been contributed for firefighters for 2014. The remaining 2014 pension liability has been reported as an intergovernmental payable on the basic financial statements.

NOTE 9 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$77,171, \$39,094, and \$163,792, respectively; 90.54% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. The remaining 2014 post-employment health care benefits liability has been reported as an intergovernmental payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$9,068 and \$9,753 for the year ended December 31, 2014, \$50,336 and \$53,374 for the year ended December 31, 2013, and \$112,593 and \$125,941, for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 89.91% has been contributed for police and 91.80% has been contributed for firefighters for 2014. The remaining 2014 post-employment health care benefits liability has been reported as an intergovernmental payable on the basic financial statements.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - OTHER EMPLOYEE BENEFITS

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

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

NOTE 11 - NOTES PAYABLE

Changes in the City's note activity for the year ended December 31, 2014, were as follows:

	Balance			Balance
	<u>12/31/2013</u>	<u>Issued</u>	<u>Retired</u>	<u>12/31/2014</u>
<u>Governmental fund notes</u>				
Various purpose notes - series 2013	\$ 250,000	\$ -	\$ (250,000)	\$ -
Various purpose notes - series 2014	-	133,200	-	133,200
Various purpose notes - series 2014	-	260,000	-	260,000
Various purpose notes - series 2014	-	120,800	-	120,800
	<u>-\$ 250,000</u>	<u>\$ 514,000</u>	<u>\$ (250,000)</u>	<u>\$ 514,000</u>
Total Governmental Fund Notes	<u>\$ 250,000</u>	<u>\$ 514,000</u>	<u>\$ (250,000)</u>	<u>\$ 514,000</u>

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

On June 12, 2013, the City issued Series 2013 bond anticipation notes in the amount of \$1,250,000 to help renovate the City hall, improve the community house, improve the City's service garage, improve recreational facilities and improve streets. Of this amount, \$250,000 was recorded as a note payable and \$1,000,000 was recorded as a long-term liability (See Note 12). The notes bear an interest rate of 1.00% and matured on June 12, 2014.

On June 11, 2014, the City issued Series 2014 bond anticipation notes in the amount of \$2,320,000 to help (i) improve streets, (ii) improve the City's parks and recreational facilities, (iii) renovate and otherwise improve City Hall, (iv) renovate and otherwise improve the City's service garage and (v) improve the City's community house. Of this amount, \$1,806,000 has been replaced by debt that extends at least one year beyond the balance sheet date (See Note 22). The notes bear an interest rate of 1.00% and matures on June 12, 2015.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS

A. Governmental activities

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

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
Governmental activities:				
<i>General obligation bonds:</i>				
Recreation facilities-community gym	2002	2017	4.13%	\$ 1,100,000
Recreation facilities-aquatics facility	2002	2022	4.23%	2,600,000
Police station improvements refunding	2012	2028	2.00-4.00%	3,580,000
Street improvements	2007	2014	4.00%	700,000
Street improvements	2008	2014	3.09%	600,000
Police station construction	2011	2026	3.16%	1,625,000
<i>Various purpose notes:</i>				
Various purpose notes, series 2013	2013	2014	1.00%	1,000,000
Various purpose notes, series 2014	2014	2015	1.00%	1,806,000
<i>OPWC:</i>				
Bradley road/naigle road improvement	2013	2023	0.00%	73,069

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CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Changes in governmental activities long-term obligations of the City during 2014 were as follows:

	Balance			Balance	Due
Governmental activities:	<u>12/31/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2014</u>	<u>Within</u>
<i>General obligation bonds:</i>					<u>One Year</u>
Recreation facilities - community gym	\$ 275,000	\$ -	\$ (75,000)	\$ 200,000	\$ 75,000
Recreation facilities - aquatics facility	1,170,000	-	(130,000)	1,040,000	130,000
Police station improvements - refunding	3,480,000	-	(250,000)	3,230,000	225,000
Street improvements	100,000	-	(100,000)	-	-
Street improvements	100,000	-	(100,000)	-	-
Police station construction	1,475,000	-	(75,000)	1,400,000	100,000
<i>Total general obligation bonds</i>	<u>6,600,000</u>	<u>-</u>	<u>(730,000)</u>	<u>5,870,000</u>	<u>530,000</u>
<i>Various purpose notes:</i>					
Various purpose notes, series 2013	1,000,000	-	(1,000,000)	-	-
Various purpose notes, series 2014	-	1,806,000	-	1,806,000	-
<i>Total various purpose notes</i>	<u>1,000,000</u>	<u>1,806,000</u>	<u>(1,000,000)</u>	<u>1,806,000</u>	<u>-</u>
<i>OPWC loans:</i>					
Bradley road/naigle road improvement	73,069	-	(7,307)	65,762	7,307
<i>Total OPWC loans</i>	<u>73,069</u>	<u>-</u>	<u>(7,307)</u>	<u>65,762</u>	<u>7,307</u>
<i>Long-term obligations:</i>					
Matured compensated absences	-	54,793	-	54,793	54,793
Compensated absences	790,027	211,560	(217,730)	783,857	216,465
<i>Total governmental activities</i>	<u>8,463,096</u>	<u>2,072,353</u>	<u>(1,955,037)</u>	<u>8,580,412</u>	<u>808,565</u>
Add: unamortized premium	179,216	14,454	(27,292)	166,378	-
Total on statement of net position	<u>\$ 8,642,312</u>	<u>\$ 2,086,807</u>	<u>\$ (1,982,329)</u>	<u>\$ 8,746,790</u>	<u>\$ 808,565</u>

General obligation bonds will be paid from tax money receipted into the general obligation bond retirement fund.

During 2012, the City issued \$3,580,000 in Series 2012 police station improvement refunding bonds to advance refund \$3,375,000 of the Series 2003 police station improvement bonds. The reacquisition price of the Series 2012 police station improvement refunding bonds exceeded the net carrying amount of the old debt by \$289,886. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt, which is equal to the life of the Series 2012 issuance. This advance refunding was undertaken to reduce the combined total debt service payments over the next 16 years by \$495,604 and resulted in an economic gain of \$416,059. The balance of the refunded bonds was \$3,150,000 at December 31, 2014. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

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

On June 12, 2013, the City issued a \$1,250,000 bond anticipation note for various purpose improvements. Of this amount, \$1,000,000 was initially recorded as a long-term liability. These notes matured on June 12, 2014.

On June 11, 2014, the City issued a \$2,320,000 bond anticipation note for various purpose improvements. The liability for this note has been reported as a long-term liability in accordance with GASB No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", since \$1,806,000 of the note has been financed on a long-term basis prior to the issuance of the financial statements. See Note 22 for details on the note issuance.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2014 are as follows:

Year Ending December 31,	General Obligation Bonds			OPWC - Bradley Road/Naigle Road Improvement		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 530,000	\$ 189,773	\$ 719,773	\$ 7,307	\$ -	\$ 7,307
2016	575,000	172,003	747,003	7,307	-	7,307
2017	545,000	149,773	694,773	7,307	-	7,307
2018	485,000	128,393	613,393	7,307	-	7,307
2019	505,000	109,083	614,083	7,307	-	7,307
2020 - 2024	2,140,000	327,623	2,467,623	29,227	-	29,227
2025 - 2028	1,090,000	68,049	1,158,049	-	-	-
Total	<u>\$ 5,870,000</u>	<u>\$ 1,144,697</u>	<u>\$ 7,014,697</u>	<u>\$ 65,762</u>	<u>\$ -</u>	<u>\$ 65,762</u>

B. Business-type activities

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

<u>Debt issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<u>Business-type activities</u>				
<u>OPWC loan:</u>				
Ohio Public Works Commission loan	2000	2020	0.00%	\$ 714,147
Cahoon Creek Aerial Sewer Replacement	2013	2044	0.00%	1,039,232
Cahoon Road Sewer Replacement	2014	N/A	0.00%	705,970

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

Changes in business-type activities long-term obligations of the City during 2014 were as follows.

	Balance			Balance	Due
	<u>12/31/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2014</u>	<u>Within</u>
					<u>One Year</u>
Business-type activities:					
<i>OPWC loan:</i>					
Ohio Public Works Commission loan	\$ 238,048	\$ -	\$ (34,006)	\$ 204,042	\$ 34,007
Cahoon Creek Aerial Sewer Replacement	1,039,232	-	(17,321)	1,021,911	34,641
Cahoon Road Sewer Replacement	-	705,970	-	705,970	-
Compensated absences	<u>79,619</u>	<u>18,281</u>	<u>(3,322)</u>	<u>94,578</u>	<u>30,978</u>
<i>Total Business-type activities</i>	<u>\$ 1,356,899</u>	<u>\$ 724,251</u>	<u>\$ (54,649)</u>	<u>\$ 2,026,501</u>	<u>\$ 99,626</u>

The OPWC loans will be paid with monies from the sewer enterprise fund and are used for sewer improvements. The Cahoon Road Sewer Replacement OPWC loan has not been fully dispersed as of December, 31, 2014; therefore, no amortization schedule is available.

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

Principal and interest requirements to retire business-type activities long-term obligations outstanding at December 31, 2014 are as follows:

Year Ending December 31,	Business Type Activities		
	OPWC	OPWC	Total
	<u>Cahoon Creek</u>	<u>Cahoon Creek</u>	<u>Total</u>
	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>
2015	\$ 34,641	\$ 34,007	\$ 68,648
2016	34,642	34,007	68,649
2017	34,642	34,007	68,649
2018	34,642	34,007	68,649
2019	34,642	34,007	68,649
2020 - 2024	173,205	34,007	207,212
2025 - 2029	173,205	-	173,205
2030 - 2034	173,205	-	173,205
2035 - 2039	173,205	-	173,205
2040 - 2044	<u>155,882</u>	<u>-</u>	<u>155,882</u>
Total	<u>\$ 1,021,911</u>	<u>\$ 204,042</u>	<u>\$ 1,225,953</u>

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 12 - LONG TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2014, the City's total debt margin was \$49,667,951 and the unvoted debt margin was \$27,490,244.

NOTE 13 - JOINT VENTURE

Rocky River Wastewater Treatment Plant

The Rocky River Wastewater Treatment Plant (the "Plant") is a joint venture among the cities of Fairview Park, Bay Village, Rocky River and Westlake. The Plant is governed by a Management Committee consisting of the elected mayors of the four member cities and a fifth person nominated and elected by the mayors. The Management Committee has complete authority over all aspects of the Plant's operation. The Plant supplies all participating residents of the member cities with sewer services. Each city owns the sewer lines located in its city and bills its residents for usage. Continued existence of the Plant is dependent on the City's continued participation, and the City does have an equity interest in the Plant. The City's equity interest is \$4,267,987 which represents 20.19 percent of the total equity in the Plant. The Plant is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. Complete financial statements can be obtained from the City of Rocky River, 21012 Hilliard Boulevard, Rocky River, Ohio 44116.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. WestShore Council of Governments

The West Shore Council of Governments helps foster cooperation between municipalities in areas effecting health, safety, welfare, education, economic conditions and regional development. The Board is comprised of one member from each of the 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 2014, the City contributed \$33,623 which represents 10 percent of total contributions. Complete financial information statements can be obtained from the City of Bay Village, 350 Dover Center Road, Bay Village, Ohio 44140.

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

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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

The S.A.F.E. Council of Governments was formed between municipalities to oppose changes to Cleveland Hopkins International Airport's traffic pattern. The Cities of Rocky River, Bay Village, Fairview Park, and Westlake govern by a Board consisting of the elected mayors. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. Complete financial statements can be obtained from the City of Rocky River, 21012 Hilliard Boulevard, Rocky River, Ohio 44116.

C. West Shore Area Rescue Association

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

Budgets are adopted by the Board. Each city's degree of control is limited to its representation on the Board. In 2014, the City contributed \$500 which represented 10 percent of total contributions.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 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.

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 16 - COMMUNITY GYMNASIUM JOINT OPERATING AGREEMENT - (Continued)

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

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

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

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CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 17 - INTERFUND TRANSFERS

Transfers made during the year ended December 31, 2014 were as follows:

	<u>Transfer From</u>			
	<u>Governmental Activities</u>			
	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<u>Transfer To</u>				
<u>Governmental activities</u>				
Parks and recreation	\$ 402,000	\$ -	\$ 20,038	\$ 422,038
Youth activities	-	-	16,307	16,307
Private property maintenance	-	-	36,328	36,328
Street construction, maintenance and repair	92,500	427,500	-	520,000
Fire pension	126,100	-	-	126,100
Accrued benefits	90,000	-	-	90,000
Cahoon Park income	35,000	-	-	35,000
Cahoon Memorial Park	2,000	-	-	2,000
Cahoon Library	10,000	-	-	10,000
Community gym capital improvement fund	7,829	-	-	7,829
Equipment replacement	-	215,000	-	215,000
Sidewalks	-	-	50,000	50,000
Public improvements	-	90,000	215,000	305,000
Bradley Road improvements	-	-	113,698	113,698
<i>Total governmental activities</i>	<u>\$ 765,429</u>	<u>\$ 732,500</u>	<u>\$ 451,371</u>	<u>\$ 1,949,300</u>
<u>Business-Type Activities</u>				
Sewer	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 94,250</u>	<u>\$ 144,250</u>
Total	<u>\$ 765,429</u>	<u>\$ 782,500</u>	<u>\$ 545,621</u>	<u>\$ 2,093,550</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 17 - INTERFUND TRANSFERS - (Continued)

Transfers between governmental funds are eliminated for reporting on the statement of activities. Net transfers between governmental activities and business-type activities are reported on the statement of activities. Transfers out of the general obligation bond retirement to nonmajor governmental funds were to pay down loans payable related to manuscript debt (See Note 18), to retire the various purpose notes, series 2013, that were previously recorded as fund liabilities and transfers to the sewer fund were to pay down loans payable related to manuscript debt. All transfers above were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 18 - LOANS RECEIVABLE/LOANS PAYABLE

Long-term loans receivable/loans payable at December 31, 2014 as reported on the fund statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General obligation bond retirement fund	Nonmajor governmental funds	\$ 1,760,000
General obligation bond retirement fund	Sewer fund	95,000
Nonmajor governmental fund	Nonmajor governmental fund	60,000
Nonmajor governmental fund	Sewer fund	<u>74,000</u>
Total		<u>\$ 1,989,000</u>

The loans totaling \$134,000 from the infrastructure improvement fund (a nonmajor governmental fund) to street construction maintenance and repair fund (a nonmajor governmental fund) and the sewer fund were to cover costs in specific funds where revenues were not received by December 31, 2014. These advances will be repaid once anticipated revenues are received. All long-term advances are not expected to be repaid within one year. Loans receivable/loans payable from the general obligation bond retirement fund to the nonmajor governmental funds and the sewer fund in the amount of \$1,855,000 are for manuscript debt issued by the City in accordance with Ohio Revised Code Section 133.29 during 2009, 2010 and 2012. These loans will be repaid on December 1 each year with the final maturity date of December 1, 2022. Interest rates range from 0.75-2.90%.

Principal and interest requirements to retire the long-term loans outstanding at December 31, 2014 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 555,000	\$ 31,211	\$ 586,211
2016	460,000	21,517	481,517
2017	280,000	12,780	292,780
2018	165,000	8,630	173,630
2019	155,000	6,567	161,567
2020 - 2022	<u>240,000</u>	<u>8,880</u>	<u>248,880</u>
Total	<u>\$ 1,855,000</u>	<u>\$ 89,585</u>	<u>\$ 1,944,585</u>

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 18 - LOANS RECEIVABLE/LOANS PAYABLE - (Continued)

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

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (42,652)
Net adjustment for revenue accruals	(63,846)
Net adjustment for expenditure accruals	(43,502)
Net adjustment for other financing sources/(uses)	111,250
Funds budgeted elsewhere	202,880
Adjustment for encumbrances	<u>165,157</u>
GAAP basis	<u>\$ 329,287</u>

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

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 20 - FUND BALANCE

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

Fund balance	General	General Obligation Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 7,097	\$ -	\$ 62,642	\$ 69,739
Prepays	90,873	-	-	90,873
Permanent fund principal	-	-	<u>163,623</u>	<u>163,623</u>
Total nonspendable	<u>97,970</u>	<u>-</u>	<u>226,265</u>	<u>324,235</u>
Restricted:				
Debt service	-	-	19,104	19,104
General government	-	-	69,152	69,152
Security of persons and property	-	-	226,089	226,089
Leisure time activities	-	-	105,496	105,496
Community environment	-	-	9,027	9,027
Transportation	-	-	31,936	31,936
Cahoon Park	-	-	79,003	79,003
Cahoon Library	-	-	22,373	22,373
Capital improvements	-	-	13,823	13,823
Permanent fund	-	-	<u>6,216</u>	<u>6,216</u>
Total restricted	<u>-</u>	<u>-</u>	<u>582,219</u>	<u>582,219</u>
Committed:				
Capital improvements	-	-	3,628,881	3,628,881
Debt service	-	4,843,472	-	4,843,472
Leisure time activities	-	-	851	851
Cahoon Park	-	-	2,227	2,227
Community environment	19,085	-	-	19,085
General government	-	-	<u>42,686</u>	<u>42,686</u>
Total committed	<u>19,085</u>	<u>4,843,472</u>	<u>3,674,645</u>	<u>8,537,202</u>
Assigned:				
Bay family services	2,745	-	-	2,745
General government	27,305	-	-	27,305
Security of persons and property	36,871	-	-	36,871
Utility services	9,019	-	-	9,019
Transportation	<u>912</u>	<u>-</u>	<u>-</u>	<u>912</u>
Total assigned	<u>76,852</u>	<u>-</u>	<u>-</u>	<u>76,852</u>
Unassigned (deficit)	<u>2,484,828</u>	<u>-</u>	<u>(1,653,726)</u>	<u>831,102</u>
Total fund balances	<u>\$ 2,678,735</u>	<u>\$ 4,843,472</u>	<u>\$ 2,829,403</u>	<u>\$ 10,351,610</u>

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 21 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 93,192
Other governmental	<u>215,165</u>
Total	<u>\$ 308,357</u>

NOTE 22 - SUBSEQUENT EVENT

On June 11, 2015, the City issued \$3,311,000 in Various Purpose Bond Anticipation Notes. The notes carry an interest rate of 1.00% and will mature on June 11, 2016. Furthermore, \$1,806,000 of the issuance is for the purpose of refinancing a portion of the Series 2014 Various Purpose Bond Anticipation Notes, originally issued for \$2,320,000.



Julian & Grube, Inc.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay Village, Cuyahoga County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Bay Village's basic financial statements and have issued our report thereon dated June 18, 2015.

Internal Control Over Financial Reporting

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

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

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

Members of Council and Mayor
City of Bay Village

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
June 18, 2015

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Dave Yost • Auditor of State

CITY OF BAY VILLAGE

FULTON 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 13, 2015**