

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

***BASIC FINANCIAL STATEMENTS***  
**(AUDITED)**

FOR THE YEAR ENDED  
DECEMBER 31, 2015

**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 the City of Bay Village, Cuyahoga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

July 1, 2016

**This page intentionally left blank.**

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

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 18
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities .....	20 - 21
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	22
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	25 - 26
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	27
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Street Construction, Maintenance and Repair Fund .....	28
Statement of Net Position - Proprietary Funds .....	29
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	30
Statement of Cash Flows - Proprietary Funds .....	31 - 32
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds .....	33
Notes to the Basic Financial Statements.....	35 - 84
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability/Net Pension Asset:	
Ohio Public Employees Retirement System (OPERS) .....	86
Ohio Police and Fire (OP&F) Pension Fund .....	87
Schedule of City Contributions:	
Ohio Public Employees Retirement System (OPERS) .....	88 - 89
Ohio Police and Fire (OP&F) Pension Fund.....	90 - 91
Notes to Required Supplementary Information .....	92
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	93 - 94

**This page intentionally left blank.**



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General and the Street Construction, Maintenance and Repair funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City of Bay Village adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2016, 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 23, 2016

## CITY OF BAY VILLAGE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. 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 2015 are as follows:

- The total net position of the City decreased \$330,681 from 2014's net position as restated in Note 3.A. Net position of governmental activities increased \$221,406 or 1.16% from 2014 as restated in Note 3.A and net position of business-type activities decreased \$552,087 or 5.17% from 2014 as restated in Note 3.A.
- General revenues accounted for \$14,702,127 or 84.47% of total governmental activities revenue. Program specific revenues accounted for \$2,702,924 or 15.53% of total governmental activities revenue.
- The City had \$16,860,087 in expenses related to governmental activities; \$2,702,924 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$14,157,163 were offset by general revenues (primarily property taxes, municipal income taxes and unrestricted grants and entitlements) of \$14,702,127.
- The general fund had revenues of \$11,625,216 in 2015. This represents an increase of \$411,153 from 2014. The expenditures and other financing uses of the general fund, which totaled \$10,963,559 in 2015, increased \$78,783 from 2014. The net increase in fund balance for the general fund was \$661,657 or 24.70%.
- The street construction maintenance and repair fund had revenues and other financing sources of \$1,601,409 in 2015. The expenditures of the street construction maintenance and repair fund totaled \$1,783,396 in 2015. The net decrease in fund balance for the street construction maintenance and repair fund was \$181,987 or 23.92%.
- The general obligation bond retirement fund had revenues and other financing sources of \$3,828,913 in 2015. The expenditures and other financing uses of the general obligation bond retirement fund totaled \$3,668,317 in 2015. The net increase in fund balance for the general obligation bond retirement fund was \$160,596 or 3.32%.
- Net position for the business-type activities, which are made up of the sewer and swimming pool enterprise funds, decreased in 2015 by \$552,087.
- The sewer enterprise fund had operating revenues of \$2,419,862 and operating expenses of \$2,434,856. The sewer fund had \$690,578 in non-operating expenses and transfers-in of \$323,558. Net position of the sewer fund decreased \$382,014 or 4.22%.
- The swimming pool enterprise fund had operating revenues of \$327,031 and operating expenses of \$494,433. The net position of the swimming pool fund decreased \$167,402 or 11.03%.
- In the general fund, the actual revenues came in \$444,478 higher than they were in the final budget and actual expenditures and other financing uses were \$230,158 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$659,740 from the original to the final budget and budgeted revenues were increased \$673,058 from the original to the final budget.

## CITY OF BAY VILLAGE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" 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 12.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street construction, maintenance and repair 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 22-28 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 29-32 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 33 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 35-84 of this report.

#### ***Required Supplementary Information (RSI)***

The RSI contains information regarding the City's proportionate share of the Ohio Public Employees Retirement System's (OPERS) and Ohio Police and Fire (OP&F) net pension liability/net pension asset and the City's schedule of contributions to OPERS and OP&F. The RSI can be found on pages 86 - 92 of this report.

**CITY OF BAY VILLAGE, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the City as a whole. The City has restated certain balances for 2014 to reflect the implementation of GASB Statements 68 (see Note 3.A). The table below provides a summary of the City's net position at December 31, 2015 compared to 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b><u>Assets</u></b>						
Current assets	\$ 24,266,851	\$ 22,279,945	\$ 4,451,639	\$ 4,719,803	\$ 28,718,490	\$ 26,999,748
Capital assets, net	23,459,198	24,093,536	8,508,444	8,606,362	31,967,642	32,699,898
Total assets	<u>47,726,049</u>	<u>46,373,481</u>	<u>12,960,083</u>	<u>13,326,165</u>	<u>60,686,132</u>	<u>59,699,646</u>
<b><u>Deferred outflows of resources</u></b>	<u>2,047,019</u>	<u>1,432,629</u>	<u>118,931</u>	<u>81,423</u>	<u>2,165,950</u>	<u>1,514,052</u>
<b><u>Liabilities</u></b>						
Current liabilities	2,088,055	1,736,546	195,079	75,781	2,283,134	1,812,327
Long-term liabilities:						
Due within one year	889,015	808,565	147,254	150,953	1,036,269	959,518
Other amounts	<u>20,201,515</u>	<u>19,597,996</u>	<u>2,599,150</u>	<u>2,503,305</u>	<u>22,800,665</u>	<u>22,101,301</u>
Total liabilities	<u>23,178,585</u>	<u>22,143,107</u>	<u>2,941,483</u>	<u>2,730,039</u>	<u>26,120,068</u>	<u>24,873,146</u>
<b><u>Deferred inflows of resources</u></b>	<u>7,232,170</u>	<u>6,522,096</u>	<u>12,069</u>	<u>-</u>	<u>7,244,239</u>	<u>6,522,096</u>
<b><u>Net Position</u></b>						
Net investment in capital assets	15,726,647	15,698,666	6,468,250	6,674,439	22,194,897	22,373,105
Restricted	1,056,763	858,189	-	-	1,056,763	858,189
Unrestricted	<u>2,578,903</u>	<u>2,584,052</u>	<u>3,657,212</u>	<u>4,003,110</u>	<u>6,236,115</u>	<u>6,587,162</u>
Total net position	<u>\$ 19,362,313</u>	<u>\$ 19,140,907</u>	<u>\$10,125,462</u>	<u>\$10,677,549</u>	<u>\$ 29,487,775</u>	<u>\$ 29,818,456</u>

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27” and GASB Statement 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension asset/liability to the reported net position and subtracting deferred outflows related to pension.

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

**CITY OF BAY VILLAGE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$29,608,019 to \$19,140,907 and business-type activities from \$11,223,182 to \$10,677,549.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$29,487,775. At year-end, net positions were \$19,362,313 and \$10,125,462 for the governmental activities and the business-type activities, respectively.

**CITY OF BAY VILLAGE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 52.68% 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, 2015 was \$15,726,647 and \$6,468,250 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$1,056,763, 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 \$2,578,903 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the comparative analysis of changes in net position for 2015 compared to 2014. The net position at December 31, 2014 has been restated as described in Note 3.A.

	<b>Change in Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>Restated 2014</u>	<u>2015</u>	<u>Restated 2014</u>	<u>2015</u>	<u>Restated 2014</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,641,227	\$ 1,527,026	\$ 2,741,433	\$ 2,580,425	\$ 4,382,660	\$ 4,107,451
Operating grants and contributions	905,825	1,338,278	-	-	905,825	1,338,278
Capital grants and contributions	<u>155,872</u>	<u>699</u>	<u>-</u>	<u>-</u>	<u>155,872</u>	<u>699</u>
Total program revenues	<u>2,702,924</u>	<u>2,866,003</u>	<u>2,741,433</u>	<u>2,580,425</u>	<u>5,444,357</u>	<u>5,446,428</u>
General revenues:						
Property taxes	6,523,670	6,635,131	-	-	6,523,670	6,635,131
Income taxes	6,573,233	5,984,888	-	-	6,573,233	5,984,888
Grants and entitlements	1,425,926	1,357,905	-	-	1,425,926	1,357,905
Investment earnings	88,053	107,924	-	-	88,053	107,924
Other	<u>91,245</u>	<u>128,098</u>	<u>5,460</u>	<u>100</u>	<u>96,705</u>	<u>128,198</u>
Total general revenues	<u>14,702,127</u>	<u>14,213,946</u>	<u>5,460</u>	<u>100</u>	<u>14,707,587</u>	<u>14,214,046</u>
Total revenues	<u>17,405,051</u>	<u>17,079,949</u>	<u>2,746,893</u>	<u>2,580,525</u>	<u>20,151,944</u>	<u>19,660,474</u>

(Continued)

**CITY OF BAY VILLAGE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Change in Net Position - (Continued)**

	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b>Expenses:</b>						
General government	3,596,258	3,419,889	-	-	3,596,258	3,419,889
Security of persons and property	7,180,888	6,826,698	-	-	7,180,888	6,826,698
Public health and welfare	646,254	636,974	-	-	646,254	636,974
Transportation	1,755,517	1,544,538	-	-	1,755,517	1,544,538
Community environment	579,287	552,436	-	-	579,287	552,436
Leisure time activity	1,131,228	974,154	-	-	1,131,228	974,154
Basic utility	1,728,569	1,828,828	-	-	1,728,569	1,828,828
Interest and fiscal charges	242,086	262,511	-	-	242,086	262,511
Sewer	-	-	3,127,559	2,940,148	3,127,559	2,940,148
Swimming pool	-	-	494,979	502,012	494,979	502,012
<b>Total expenses</b>	<b>16,860,087</b>	<b>16,046,028</b>	<b>3,622,538</b>	<b>3,442,160</b>	<b>20,482,625</b>	<b>19,488,188</b>
Increase (decrease) in net position before transfers	544,964	1,033,921	(875,645)	(861,735)	(330,681)	172,186
Transfers	(323,558)	233,438	323,558	(233,438)	-	-
<b>Change in net position</b>	<b>221,406</b>	<b>1,267,359</b>	<b>(552,087)</b>	<b>(1,095,173)</b>	<b>(330,681)</b>	<b>172,186</b>
Net position at beginning of year (restated)	19,140,907	N/A	10,677,549	N/A	29,818,456	N/A
<b>Net position at end of year</b>	<b>\$ 19,362,313</b>	<b>\$ 19,140,907</b>	<b>\$ 10,125,462</b>	<b>\$ 10,677,549</b>	<b>\$ 29,487,775</b>	<b>\$ 29,818,456</b>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,270,782 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,323,424.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 16,860,087	\$ 3,622,538	\$ 20,482,625
Pension expense under GASB 68	(1,251,825)	(71,599)	(1,323,424)
2015 contractually required contributions	1,213,096	84,406	1,297,502
<b>Adjusted 2015 program expenses</b>	<b>16,821,358</b>	<b>3,635,345</b>	<b>20,456,703</b>
Total 2014 program expenses under GASB 27	16,046,028	3,442,160	19,488,188
<b>Increase in program expenses not related to pension</b>	<b>\$ 775,330</b>	<b>\$ 193,185</b>	<b>\$ 968,515</b>

**CITY OF BAY VILLAGE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Governmental Activities**

Governmental activities net position increased \$221,406 in 2015.

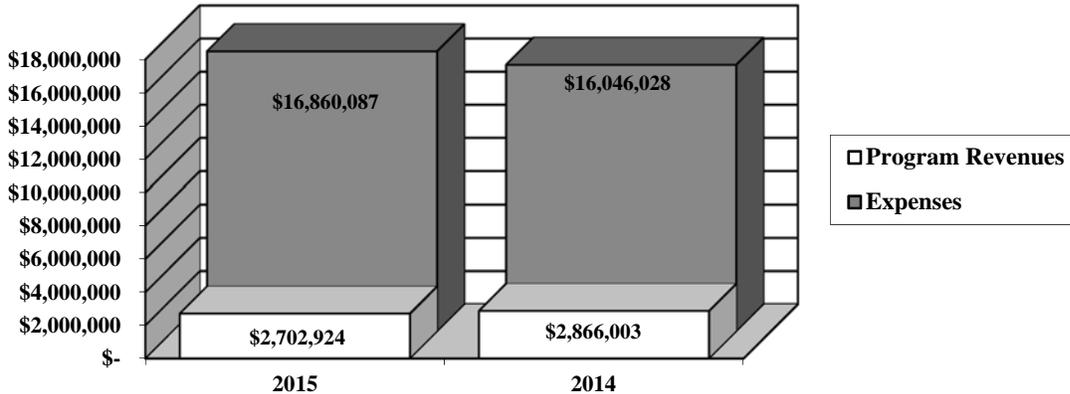
Security of persons and property, which includes police and fire department operations, accounted for \$7,180,888 or 42.59% of the total expenses of the City. Security of persons and property expenses were partially funded by \$53,698 in direct charges to users of the services. General government expenses totaled \$3,596,258. General government expenses were partially funded by \$878,861 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$905,825 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of this total, \$858,888 relates to subsidized transportation programs.

General revenues totaled \$14,702,127, and amounted to 84.47% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$13,096,903, as well as grants and entitlements not restricted to specific programs, including local government, making up \$1,425,926.

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

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



**CITY OF BAY VILLAGE, OHIO**

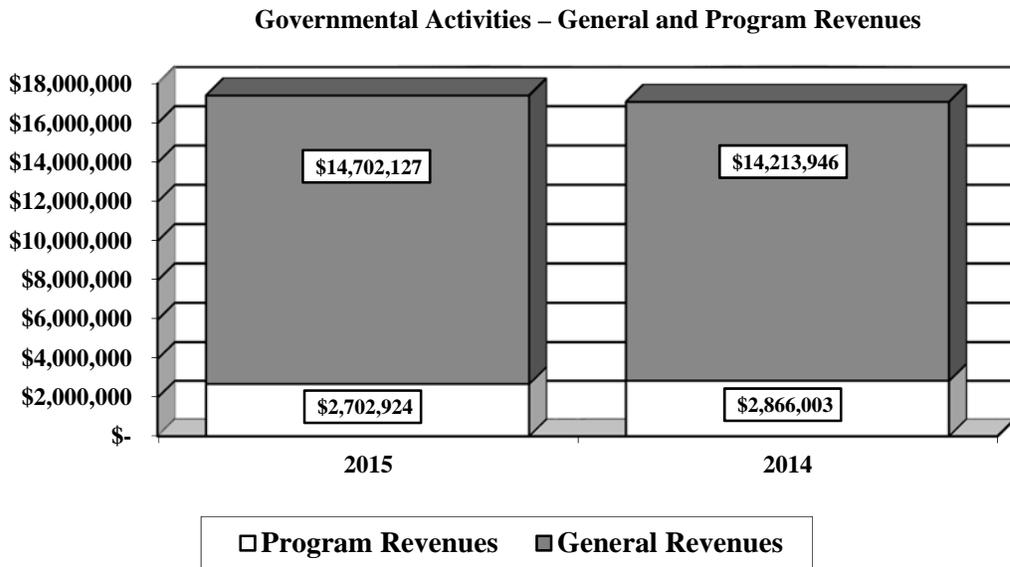
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 2015 compared to 2014.

	<b>Governmental Activities</b>			
	2015		2014	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program Expenses:				
General government	\$ 3,596,258	\$ 2,703,257	\$ 3,419,889	\$ 2,583,923
Security of persons and property	7,180,888	7,106,032	6,826,698	6,741,324
Public health and welfare	646,254	641,284	636,974	631,929
Transportation	1,755,517	754,897	1,544,538	254,143
Community environment	579,287	168,627	552,436	198,543
Leisure time activities	1,131,228	812,411	974,154	678,831
Basic utility services	1,728,569	1,728,569	1,828,828	1,828,821
Interest and fiscal charges	242,086	242,086	262,511	262,511
<b>Total Expenses</b>	<b>\$ 16,860,087</b>	<b>\$ 14,157,163</b>	<b>\$ 16,046,028</b>	<b>\$ 13,180,025</b>

The dependence upon general revenues for governmental activities is apparent, with 83.97% of expenses supported through taxes and other general revenues.

The chart below illustrates the City’s program revenues versus general revenues for 2015 and 2014.



**Business-type Activities**

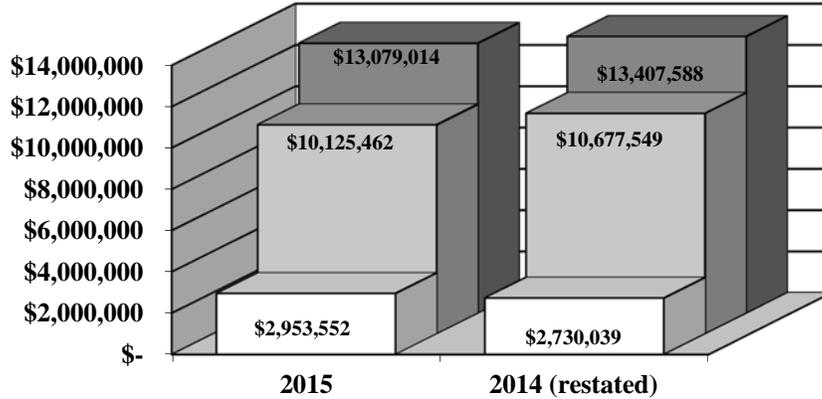
Business-type activities include the sewer and swimming pool enterprise funds. These programs had program revenues of \$2,741,433, general revenues of \$5,460, transfers-in of \$323,558 and expenses of \$3,622,538 for 2015.

**CITY OF BAY VILLAGE, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at December 31, 2015 and December 31, 2014. The net position at December 31, 2014 has been restated as described in Note 3.A.

**Net Position in Business – Type Activities**



Liabilities and deferred inflows
  Net Position
  Assets and deferred outflows

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

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 22) reported a combined fund balance of \$11,216,367 which is \$864,757 higher than last year's total of \$10,351,610. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 for all major and non-major governmental funds.

	Fund Balances (deficit) <u>12/31/15</u>	Fund Balances (deficit) <u>12/31/14</u>	Increase/ (Decrease)
Major funds:			
General	\$ 3,340,392	\$ 2,678,735	\$ 661,657
Street construction maintenance and repair	(942,951)	(760,964)	(181,987)
General obligation bond retirement	5,004,068	4,843,472	160,596
Other nonmajor governmental funds	<u>3,814,858</u>	<u>3,590,367</u>	<u>224,491</u>
Total	<u>\$ 11,216,367</u>	<u>\$ 10,351,610</u>	<u>\$ 864,757</u>

**CITY OF BAY VILLAGE, OHIO**

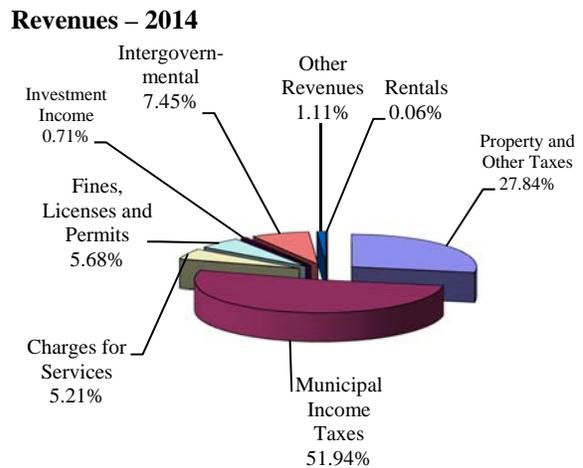
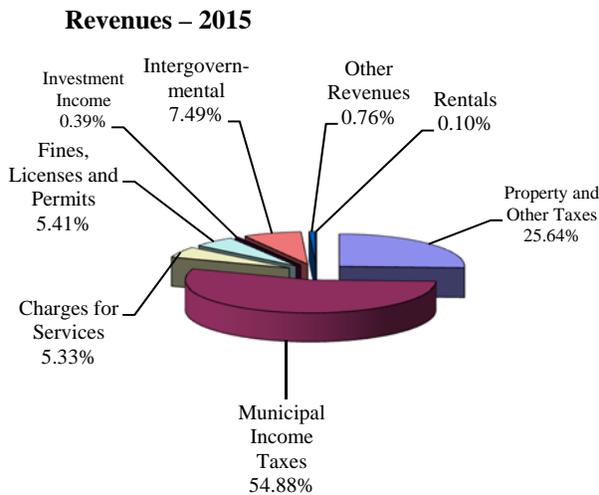
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**General Fund**

The City's general fund balance increased \$661,657. The table that follows assists in illustrating the revenues of the general fund.

	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Municipal income taxes	\$ 6,379,449	\$ 5,822,823	\$ 556,626	9.56 %
Property and other taxes	2,980,843	3,122,461	(141,618)	(4.54) %
Charges for services	619,535	584,631	34,904	5.97 %
Fines, licenses and permits	629,449	636,464	(7,015)	(1.10) %
Intergovernmental	871,298	835,868	35,430	4.24 %
Investment income	45,060	80,130	(35,070)	(43.77) %
Rental income	11,990	7,241	4,749	65.58 %
Contributions and donations	620	8,157	(7,537)	(92.40) %
Miscellaneous	86,972	116,288	(29,316)	(25.21) %
<b>Total</b>	<b><u>\$ 11,625,216</u></b>	<b><u>\$ 11,214,063</u></b>	<b><u>\$ 411,153</u></b>	<b>3.67 %</b>

Revenue of the general fund increased \$411,153 or 3.67%. Tax revenue (income tax, property and other taxes) represents 80.52% of all general fund revenue. Tax revenue increased \$415,008 over prior year. This increase is primarily due to an increase in income taxes received during the year. The increase in charges for services of \$34,904 is due to increased refuse collection fees collected by the City. Intergovernmental revenue increased \$35,430 due to an increase in estate tax revenues.



**CITY OF BAY VILLAGE, OHIO**

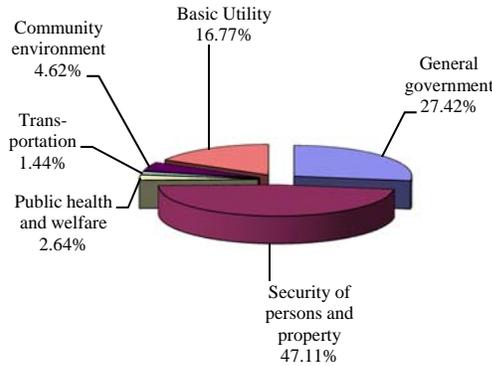
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

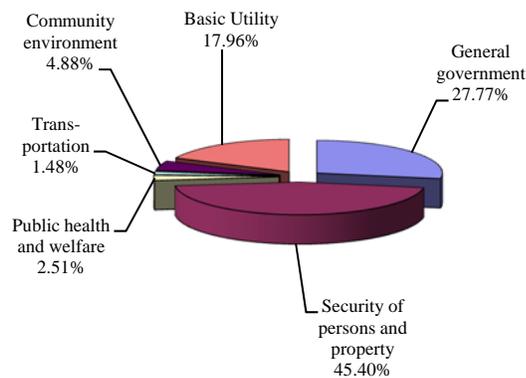
	<u>2015 Amount</u>	<u>2014 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>				
General government	\$ 2,823,646	\$ 2,810,123	\$ 13,523	0.48 %
Security of persons and property	4,852,369	4,594,275	258,094	5.62 %
Public health and welfare	272,105	254,006	18,099	7.13 %
Transportation	147,859	149,855	(1,996)	(1.33) %
Community environment	475,845	493,608	(17,763)	(3.60) %
Basic utility services	<u>1,726,671</u>	<u>1,817,480</u>	<u>(90,809)</u>	(5.00) %
<b>Total</b>	<b><u>\$ 10,298,495</u></b>	<b><u>\$ 10,119,347</u></b>	<b><u>\$ 179,148</u></b>	<b>1.77 %</b>

General fund expenditures increased \$179,148 or 1.77%. The increases in general government, security of persons and property, public health and welfare are due to increased spending throughout the City.

**Expenditures - 2015**



**Expenditures - 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 came in \$444,478 higher than they were in the final budget and actual expenditures and other financing uses were \$230,158 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$659,740 from the original to the final budget and budgeted revenues were increased \$673,058 from the original to the final budget.

***Street Construction Maintenance and Repair Fund***

The street construction maintenance and repair fund had revenues and other financing sources of \$1,601,409 in 2015. The expenditures of the street construction maintenance and repair fund totaled \$1,783,396 in 2015. The net decrease in fund balance for the street construction maintenance and repair fund was \$181,987 or 23.92%.

**CITY OF BAY VILLAGE, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

***General Obligation Bond Retirement Fund***

The general obligation bond retirement fund had revenues and other financing sources of \$3,828,913 in 2015. The expenditures and other financing uses of the general obligation bond retirement fund totaled \$3,668,317 in 2015. The net increase in fund balance for the general obligation bond retirement fund was \$160,596 or 3.32%. 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 2015, the City had \$31,967,642 (net of accumulated depreciation) invested in land, construction in progress land improvements, buildings, machinery and equipment, software, vehicles, and infrastructure. Of this total, \$23,459,198 was reported in governmental activities and \$8,508,444 was reported in business-type activities. The following table shows December 31, 2015 balances compared to December 31, 2014:

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

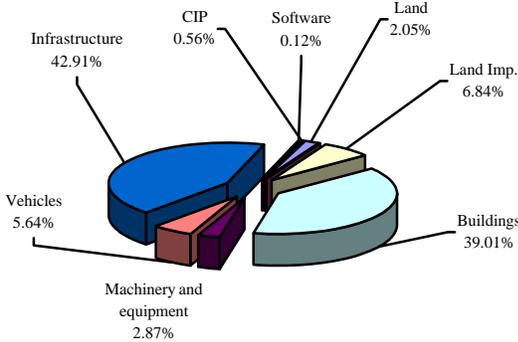
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 481,467	\$ 481,467	\$ 40,000	\$ 40,000	\$ 521,467	\$ 521,467
Construction in Progress	132,236	-	-	-	132,236	-
Land improvements	1,604,163	1,635,295	480,310	526,686	2,084,473	2,161,981
Buildings	9,152,496	9,433,703	1,283,357	1,319,955	10,435,853	10,753,658
Machinery and equipment	672,608	688,708	197,365	245,191	869,973	933,899
Software	28,702	33,486	-	-	28,702	33,486
Vehicles	1,323,071	1,623,691	646,385	436,287	1,969,456	2,059,978
Infrastructure						
Roads	9,364,496	9,459,390	-	-	9,364,496	9,459,390
Sewer lines	-	-	5,861,027	6,038,243	5,861,027	6,038,243
Culverts	191,612	194,245	-	-	191,612	194,245
Traffic signals	508,347	543,551	-	-	508,347	543,551
<b>Totals</b>	<b>\$ 23,459,198</b>	<b>\$ 24,093,536</b>	<b>\$ 8,508,444</b>	<b>\$ 8,606,362</b>	<b>\$ 31,967,642</b>	<b>\$ 32,699,898</b>

**CITY OF BAY VILLAGE, OHIO**

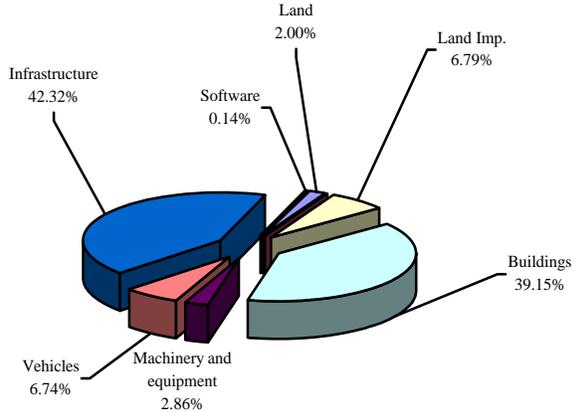
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

The following graphs show the breakdown of governmental capital assets by category for 2015 and 2014.

**Capital Assets - Governmental Activities  
December 31, 2015**



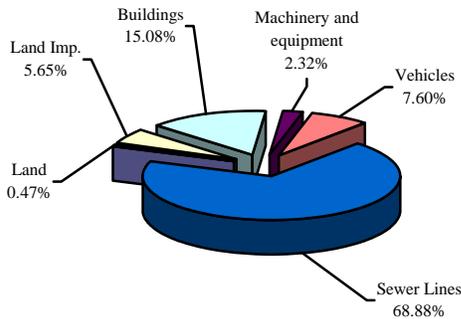
**Capital Assets - Governmental Activities  
December 31, 2013**



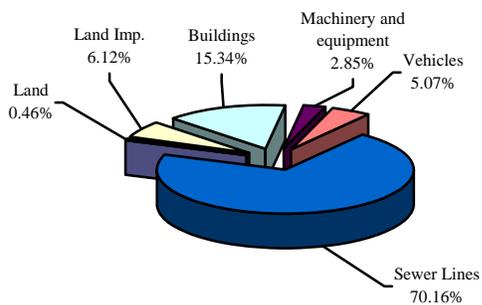
Infrastructure includes roads, culverts and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 42.91% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2015 and 2014.

**Capital Assets - Business-Type Activities  
December 31, 2015**



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



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 68.88% of the City's total business-type capital assets.

**CITY OF BAY VILLAGE, OHIO**

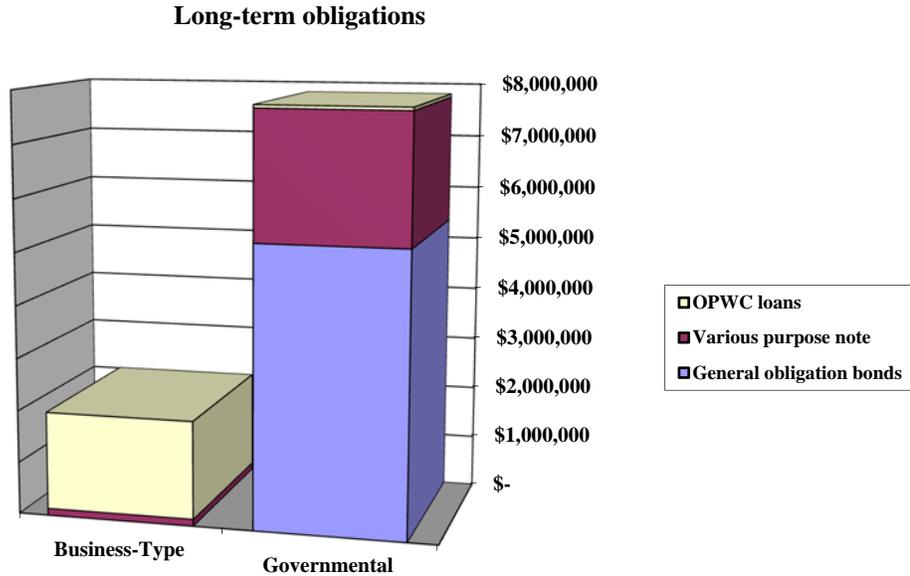
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**Debt Administration**

The City had the following long-term obligations outstanding at December 31, 2015 and 2014:

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 5,340,000	\$ 5,870,000
Various purpose note	2,405,600	1,806,000
OPWC loan	<u>58,455</u>	<u>65,762</u>
<b>Total long-term obligations</b>	<b><u>\$ 7,804,055</u></b>	<b><u>\$ 7,741,762</u></b>
	Business-type Activities	
	<u>2015</u>	<u>2014</u>
Various purpose note	132,800	-
OPWC loans	<u>1,874,194</u>	<u>1,931,923</u>
<b>Total long-term obligations</b>	<b><u>\$ 2,006,994</u></b>	<b><u>\$ 1,931,923</u></b>

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.

## CITY OF BAY VILLAGE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

#### *Current Financial Related Activities*

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

The City of Bay Village is located on the shoreline of Lake Erie. Apart from lakefront activities, the citizens of Bay Village continue to enjoy a variety of City recreational facilities which includes four parks, a swimming pool and community gym.

The City remains committed to improving facilities and services; the budget process opened discussion on future infrastructure projects to improve storm and sewer lines. The Police Department will employ a Dispatch staff instead of using an officer for this function. The Finance Department will facilitate a city-wide phone replacement project and begin reviewing finance system upgrades.

Other highlights:

- The City negotiated labor contracts with the City unions for the years 2016 thru 2018.
- The City entered an agreement with the Jefferson Group as the third-party administrator for health claims and also entered an agreement with Upshot Health to integrate an employee wellness program. The City also received a grant from the Bureau of Workers Compensation to help support the City's efforts in implementing and maintaining a wellness program. The City may receive up to \$300 per participating employee over a 4 year period with a maximum amount of \$15,000.
- A private donor is contributing \$10,000 annually for six years to maintain the City tennis courts.
- The Police Department received Live-Scan equipment thru a grant with the Ohio Attorney General. The equipment is valued at \$21,000.
- The "green" parking lot at City Hall will be completed in 2016. This project was partially funded with a grant of \$120,000 from a nonpoint Source Implementation Grant from the Ohio EPA.
- The City's Senior Center is applying for CDBG funds to renovate the Center's kitchen area in order to participate with a weekly lunch program for senior residents. Their goal is to start the program in 2017. The Senior Center also installed a software system which facilitates program enrollment, attendance and reporting.
- The Green Team was awarded a \$2,400 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](mailto:rmahoney@cityofbayvillage.com). Other information about the City is available on our website, [www.cityofbayvillage.com](http://www.cityofbayvillage.com).

CITY OF BAY VILLAGE, OHIO

STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 12,096,209	\$ 211,036	\$ 12,307,245
Receivables:			
Municipal income taxes . . . . .	2,595,877	-	2,595,877
Property and other taxes . . . . .	8,181,515	-	8,181,515
Accounts . . . . .	172,758	278,942	451,700
Accrued interest . . . . .	22,110	-	22,110
Special assessments . . . . .	41,957	-	41,957
Intergovernmental . . . . .	1,087,104	-	1,087,104
Materials and supplies inventory . . . . .	52,241	2,828	55,069
Prepayments . . . . .	68,010	865	68,875
Internal balance . . . . .	(63,041)	63,041	-
Investment in joint venture . . . . .	-	3,892,352	3,892,352
Net pension asset . . . . .	12,111	2,575	14,686
Capital assets:			
Non-depreciable capital assets . . . . .	613,703	40,000	653,703
Depreciable capital assets, net . . . . .	22,845,495	8,468,444	31,313,939
Total capital assets, net . . . . .	<u>23,459,198</u>	<u>8,508,444</u>	<u>31,967,642</u>
Total assets . . . . .	<u>47,726,049</u>	<u>12,960,083</u>	<u>60,686,132</u>
<b>Deferred outflows of resources:</b>			
Unamortized deferred charges on debt refunding . . . . .	225,789	-	225,789
Pension - OPERS . . . . .	559,290	118,931	678,221
Pension - OP&F . . . . .	1,261,940	-	1,261,940
Total deferred outflows of resources . . . . .	<u>2,047,019</u>	<u>118,931</u>	<u>2,165,950</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	179,809	106,326	286,135
Contracts payable . . . . .	28,280	-	28,280
Accrued wages and benefits payable . . . . .	197,423	12,601	210,024
Intergovernmental payable . . . . .	209,120	9,219	218,339
Accrued interest payable . . . . .	18,466	928	19,394
Claims payable . . . . .	256,857	-	256,857
Vacation benefits payable . . . . .	458,700	32,805	491,505
Note payable . . . . .	739,400	33,200	772,600
Long-term liabilities:			
Due within one year . . . . .	889,015	147,254	1,036,269
Due in more than one year:			
Net pension liability . . . . .	12,282,424	642,264	12,924,688
Other amounts due in more than one year . . . . .	7,919,091	1,956,886	9,875,977
Total liabilities . . . . .	<u>23,178,585</u>	<u>2,941,483</u>	<u>26,120,068</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	7,175,413	-	7,175,413
Pension - OPERS . . . . .	56,757	12,069	68,826
Total deferred inflows of resources . . . . .	<u>7,232,170</u>	<u>12,069</u>	<u>7,244,239</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	15,726,647	6,468,250	22,194,897
Restricted for:			
Debt service . . . . .	19,104	-	19,104
Capital projects . . . . .	86,020	-	86,020
Waldeck estates:			
Expendable . . . . .	7,176	-	7,176
Nonexpendable . . . . .	163,623	-	163,623
Security of persons and property programs . . . . .	317,050	-	317,050
Public health and welfare programs . . . . .	58,554	-	58,554
Transportation programs . . . . .	85,160	-	85,160
Community environment programs . . . . .	7,665	-	7,665
Leisure time activity programs . . . . .	23,733	-	23,733
Cahoon Library . . . . .	77,764	-	77,764
Cahoon Park . . . . .	22,553	-	22,553
Other purposes . . . . .	188,361	-	188,361
Unrestricted . . . . .	<u>2,578,903</u>	<u>3,657,212</u>	<u>6,236,115</u>
Total net position . . . . .	<u>\$ 19,362,313</u>	<u>\$ 10,125,462</u>	<u>\$ 29,487,775</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government. . . . .	\$ 3,596,258	\$ 878,861	\$ -	\$ 14,140
Security of persons and property . . .	7,180,888	53,698	21,158	-
Public health and welfare . . . . .	646,254	-	4,970	-
Transportation. . . . .	1,755,517	-	858,888	141,732
Community environment . . . . .	579,287	405,260	5,400	-
Leisure time activity. . . . .	1,131,228	303,408	15,409	-
Basic utility services . . . . .	1,728,569	-	-	-
Interest and fiscal charges. . . . .	230,259	-	-	-
Note issuance costs. . . . .	11,827	-	-	-
Total governmental activities . . . . .	<u>16,860,087</u>	<u>1,641,227</u>	<u>905,825</u>	<u>155,872</u>
<b>Business-type activities:</b>				
Sewer . . . . .	3,127,559	2,414,652	-	-
Pool . . . . .	494,979	326,781	-	-
Total business-type activities . . . . .	<u>3,622,538</u>	<u>2,741,433</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 20,482,625</u>	<u>\$ 4,382,660</u>	<u>\$ 905,825</u>	<u>\$ 155,872</u>

**General revenues:**

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

Total general revenues. . . . .

Transfers. . . . .

Total general revenues and transfers . . . . .

Change in net position . . . . .

**Net position at beginning of year (restated). .**

**Net position at end of year. . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,703,257)	\$ -	\$ (2,703,257)
(7,106,032)	-	(7,106,032)
(641,284)	-	(641,284)
(754,897)	-	(754,897)
(168,627)	-	(168,627)
(812,411)	-	(812,411)
(1,728,569)	-	(1,728,569)
(230,259)	-	(230,259)
(11,827)	-	(11,827)
<u>(14,157,163)</u>	<u>-</u>	<u>(14,157,163)</u>
-	(712,907)	(712,907)
-	(168,198)	(168,198)
-	(881,105)	(881,105)
<u>(14,157,163)</u>	<u>(881,105)</u>	<u>(15,038,268)</u>
3,005,231	-	3,005,231
981,847	-	981,847
217,969	-	217,969
302,253	-	302,253
301,910	-	301,910
1,714,460	-	1,714,460
6,441,749	-	6,441,749
131,375	-	131,375
109	-	109
1,425,926	-	1,425,926
88,053	-	88,053
91,245	5,460	96,705
<u>14,702,127</u>	<u>5,460</u>	<u>14,707,587</u>
<u>(323,558)</u>	<u>323,558</u>	<u>-</u>
<u>14,378,569</u>	<u>329,018</u>	<u>14,707,587</u>
221,406	(552,087)	(330,681)
<u>19,140,907</u>	<u>10,677,549</u>	<u>29,818,456</u>
<u>\$ 19,362,313</u>	<u>\$ 10,125,462</u>	<u>\$ 29,487,775</u>

**CITY OF BAY VILLAGE, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Obligation Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 2,202,431	\$ 76,774	\$ 3,469,241	\$ 4,578,538	\$ 10,326,984
Receivables:					
Municipal income taxes . . . . .	2,543,959	-	-	51,918	2,595,877
Property and other taxes . . . . .	3,777,775	-	2,135,980	2,267,760	8,181,515
Accounts . . . . .	171,667	-	-	1,091	172,758
Accrued interest . . . . .	22,110	-	-	-	22,110
Special assessments . . . . .	21,370	20,587	-	-	41,957
Intergovernmental . . . . .	393,326	284,107	135,340	274,331	1,087,104
Interfund loans . . . . .	-	-	-	175,000	175,000
Loans . . . . .	-	-	1,300,000	-	1,300,000
Materials and supplies inventory . . . . .	5,057	14,367	-	32,817	52,241
Prepayments . . . . .	68,010	-	-	-	68,010
Total assets . . . . .	<u>\$ 9,205,705</u>	<u>\$ 395,835</u>	<u>\$ 7,040,561</u>	<u>\$ 7,381,455</u>	<u>\$ 24,023,556</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 99,209	\$ 7,855	\$ -	\$ 52,624	\$ 159,688
Contracts payable . . . . .	27,125	1,155	-	-	28,280
Accrued wages and benefits payable . . . . .	140,263	13,588	-	43,572	197,423
Intergovernmental payable . . . . .	104,579	7,326	-	97,215	209,120
Interfund loans payable . . . . .	-	175,000	-	-	175,000
Loans payable . . . . .	-	480,000	-	775,000	1,255,000
Accrued interest payable . . . . .	-	2,481	-	1,652	4,133
Note payable . . . . .	-	443,857	-	295,543	739,400
Total liabilities . . . . .	<u>371,176</u>	<u>1,131,262</u>	<u>-</u>	<u>1,265,606</u>	<u>2,768,044</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year . . .	3,324,006	-	1,866,925	1,984,482	7,175,413
Delinquent property tax revenue not available . .	63,769	-	36,055	38,278	138,102
Accrued interest not available . . . . .	15,854	-	-	-	15,854
Special assessments revenue not available . . . .	21,370	20,587	-	-	41,957
Miscellaneous revenue not available . . . . .	56,242	-	-	-	56,242
Income tax revenue not available . . . . .	1,680,431	-	-	34,295	1,714,726
Intergovernmental revenue not available . . . .	332,465	186,937	133,513	243,936	896,851
Total deferred inflows of resources . . . . .	<u>5,494,137</u>	<u>207,524</u>	<u>2,036,493</u>	<u>2,300,991</u>	<u>10,039,145</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	73,067	14,367	-	196,440	283,874
Restricted . . . . .	-	-	-	670,363	670,363
Committed . . . . .	-	-	5,004,068	3,585,349	8,589,417
Assigned . . . . .	65,980	-	-	-	65,980
Unassigned (deficit) . . . . .	3,201,345	(957,318)	-	(637,294)	1,606,733
Total fund balances (deficit) . . . . .	<u>3,340,392</u>	<u>(942,951)</u>	<u>5,004,068</u>	<u>3,814,858</u>	<u>11,216,367</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 9,205,705</u>	<u>\$ 395,835</u>	<u>\$ 7,040,561</u>	<u>\$ 7,381,455</u>	<u>\$ 24,023,556</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, 2015

<b>Total governmental fund balances</b>		\$	11,216,367
<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.			23,459,198
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	\$	1,714,726	
Property and other taxes receivable		138,102	
Accounts receivable		56,242	
Accrued interest receivable		15,854	
Special assessments receivable		41,957	
Intergovernmental receivable		896,851	
Total		896,851	2,863,732
Two internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal services fund, including internal balance of (\$108,041) are:			1,384,206
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(14,333)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			225,789
Vacation benefits payable are not expected to be paid with expendable available resources and therefore are not reported in the funds.			(458,700)
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		(849,766)	
Various purpose notes		(2,405,600)	
OPWC loan		(58,455)	
General obligation bonds payable		(5,340,000)	
Bond premiums		(154,285)	
Total		(8,808,106)	(8,808,106)
The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred outflows of resources - pension		1,821,230	
Deferred inflows of resources - pension		(56,757)	
Net pension asset		12,111	
Net pension liability		(12,282,424)	
Total		(10,505,840)	(10,505,840)
<b>Net position of governmental activities</b>		\$	19,362,313

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, 2015

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>General Obligation Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Municipal income taxes . . . . .	\$ 6,379,449	\$ -	\$ -	\$ 130,213	\$ 6,509,662
Property and other taxes . . . . .	2,980,843	-	1,700,671	1,789,342	6,470,856
Charges for services. . . . .	619,535	-	-	232,935	852,470
Fines licenses and permits . . . . .	629,449	-	-	2,050	631,499
Intergovernmental. . . . .	871,298	654,216	268,853	358,714	2,153,081
Special assessments . . . . .	-	20,320	-	70,244	90,564
Investment income. . . . .	45,060	23	30,632	1,449	77,164
Rental income . . . . .	11,990	-	-	50,949	62,939
Contributions and donations. . . . .	620	-	-	76,225	76,845
Other . . . . .	86,972	141,107	3,653	43,051	274,783
Total revenues . . . . .	<u>11,625,216</u>	<u>815,666</u>	<u>2,003,809</u>	<u>2,755,172</u>	<u>17,199,863</u>
<b>Expenditures:</b>					
Current:					
General government . . . . .	2,823,646	-	-	24,266	2,847,912
Security of persons and property . . . . .	4,852,369	-	-	1,882,490	6,734,859
Public health and welfare. . . . .	272,105	-	-	4,481	276,586
Transportation . . . . .	147,859	928,606	-	24,500	1,100,965
Community environment . . . . .	475,845	-	-	54,938	530,783
Leisure time activity . . . . .	-	-	-	1,044,520	1,044,520
Basic utility services . . . . .	1,726,671	-	-	-	1,726,671
Capital outlay . . . . .	-	851,155	-	1,071,471	1,922,626
Debt service:					
Principal retirement. . . . .	-	-	2,343,307	-	2,343,307
Interest and fiscal charges . . . . .	-	3,635	239,043	2,779	245,457
Note issuance costs . . . . .	-	-	11,827	-	11,827
Total expenditures . . . . .	<u>10,298,495</u>	<u>1,783,396</u>	<u>2,594,177</u>	<u>4,109,445</u>	<u>18,785,513</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>1,326,721</u>	<u>(967,730)</u>	<u>(590,368)</u>	<u>(1,354,273)</u>	<u>(1,585,650)</u>
<b>Other financing sources (uses):</b>					
Note issuance . . . . .	-	178,143	1,806,000	421,457	2,405,600
Sale of capital assets. . . . .	-	-	-	75,703	75,703
Transfers in . . . . .	-	607,600	-	1,151,604	1,759,204
Transfers (out). . . . .	(665,064)	-	(1,074,140)	(70,000)	(1,809,204)
Premium on note issuance. . . . .	-	-	19,104	-	19,104
Total other financing sources (uses) . . . . .	<u>(665,064)</u>	<u>785,743</u>	<u>750,964</u>	<u>1,578,764</u>	<u>2,450,407</u>
Net change in fund balances . . . . .	661,657	(181,987)	160,596	224,491	864,757
<b>Fund balances (deficit)</b>					
at beginning of year . . . . .	2,678,735	(760,964)	4,843,472	3,590,367	10,351,610
Fund balances (deficit) at end of year . . . . .	<u>\$ 3,340,392</u>	<u>\$ (942,951)</u>	<u>\$ 5,004,068</u>	<u>\$ 3,814,858</u>	<u>\$ 11,216,367</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, 2015

<b>Net change in fund balances - total governmental funds</b>	\$	864,757
 <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	\$ 1,083,747	
Current year depreciation	<u>(1,681,283)</u>	
Total		(597,536)
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(36,802)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	63,571	
Property and other taxes	52,814	
Charges for services	(8,123)	
Intergovernmental	96,996	
Special assessments	(12,431)	
Investment income	<u>12,361</u>	
Total		205,188
 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.		
		(2,405,600)
 Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		2,343,307
 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.		
		(19,104)

--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, 2015

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	\$	1,482	
Amortization of deferred amounts on refunding		(17,481)	
Amortization of bond premiums		31,197	
Total	\$		15,198

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

1,213,096

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

(1,251,824)

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		(65,909)	
Vacation benefits payable		(9,592)	
Total			(75,501)

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.

(33,773)

**Change in net position of governmental activities**

\$ 221,406

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, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Income taxes . . . . .	\$ 5,613,115	\$ 5,974,000	\$ 6,346,099	\$ 372,099
Real and other taxes. . . . .	2,783,875	2,962,859	2,974,843	11,984
Charges for services. . . . .	585,553	623,200	622,031	(1,169)
Fines, licenses and permits . . . . .	566,244	602,650	629,002	26,352
Intergovernmental. . . . .	768,045	817,425	877,078	59,653
Investment income. . . . .	70,469	75,000	50,597	(24,403)
Rental income . . . . .	16,913	18,000	12,310	(5,690)
Contributions and donations. . . . .	-	-	-	-
Other . . . . .	64,362	68,500	74,152	5,652
<b>Total revenues . . . . .</b>	<u>10,468,576</u>	<u>11,141,634</u>	<u>11,586,112</u>	<u>444,478</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	2,790,397	2,892,897	2,685,246	207,651
Security of persons and property . . . . .	4,981,797	4,935,287	4,893,150	42,137
Public health and welfare. . . . .	236,441	236,441	227,303	9,138
Transportation . . . . .	159,138	159,138	152,950	6,188
Community environment . . . . .	480,740	505,740	492,022	13,718
Utility services . . . . .	1,908,556	1,908,556	1,830,497	78,059
<b>Total expenditures . . . . .</b>	<u>10,557,069</u>	<u>10,638,059</u>	<u>10,281,168</u>	<u>356,891</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(88,493)</u>	<u>503,575</u>	<u>1,304,944</u>	<u>801,369</u>
<b>Other financing uses:</b>				
Transfers (out). . . . .	<u>(647,464)</u>	<u>(1,226,214)</u>	<u>(1,352,947)</u>	<u>(126,733)</u>
<b>Total other financing uses . . . . .</b>	<u>(647,464)</u>	<u>(1,226,214)</u>	<u>(1,352,947)</u>	<u>(126,733)</u>
Net change in fund balances . . . . .	(735,957)	(722,639)	(48,003)	674,636
<b>Fund balances at beginning of year . . . . .</b>	1,018,951	1,018,951	1,018,951	-
<b>Prior year encumbrances appropriated . . . . .</b>	165,157	165,157	165,157	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 448,151</u>	<u>\$ 461,469</u>	<u>\$ 1,136,105</u>	<u>\$ 674,636</u>

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)  
 STREET CONSTRUCTION MAINTENANCE AND REPAIR FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 609,087	\$ 655,000	\$ 661,591	\$ 6,591
Special assessments . . . . .	18,598	20,000	20,320	320
Investment income. . . . .	14	15	23	8
Other . . . . .	195,280	210,000	141,107	(68,893)
<b>Total revenues . . . . .</b>	<u>822,978</u>	<u>885,015</u>	<u>823,041</u>	<u>(61,974)</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	1,129,365	1,090,218	903,267	186,951
Capital outlay . . . . .	687,000	853,147	851,155	1,992
<b>Total expenditures . . . . .</b>	<u>1,816,365</u>	<u>1,943,365</u>	<u>1,754,422</u>	<u>188,943</u>
Excess of expenditures over revenues. . . . .	<u>(993,387)</u>	<u>(1,058,350)</u>	<u>(931,381)</u>	<u>126,969</u>
<b>Other financing sources (uses):</b>				
Note issuance . . . . .	816,455	878,000	622,000	(256,000)
Advances in . . . . .	162,733	175,000	175,000	-
Advances (out) . . . . .	-	(60,000)	(60,000)	-
Transfers in . . . . .	158,084	170,000	170,000	-
<b>Total other financing sources (uses) . . . . .</b>	<u>1,137,272</u>	<u>1,163,000</u>	<u>907,000</u>	<u>(256,000)</u>
Net change in fund balances . . . . .	143,885	104,650	(24,381)	(129,031)
<b>Fund balances at beginning of year . . . . .</b>	41,732	41,732	41,732	-
<b>Prior year encumbrances appropriated . . .</b>	41,835	41,835	41,835	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 227,452</u>	<u>\$ 188,217</u>	<u>\$ 59,186</u>	<u>\$ (129,031)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2015

	<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>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and investments . . . . .	\$ 99,778	\$ 111,258	\$ 211,036	\$ 1,769,225
Receivables:				
Accounts . . . . .	278,942	-	278,942	-
Materials and supplies inventory . . . . .	2,828	-	2,828	-
Prepayments . . . . .	-	865	865	-
Total current assets . . . . .	<u>381,548</u>	<u>112,123</u>	<u>493,671</u>	<u>1,769,225</u>
Noncurrent assets:				
Investment in joint venture . . . . .	3,892,352	-	3,892,352	-
Net pension asset . . . . .	1,913	662	2,575	-
Capital assets:				
Non-depreciable capital assets . . . . .	40,000	-	40,000	-
Depreciable capital assets, net . . . . .	7,088,197	1,380,247	8,468,444	-
Total capital assets, net . . . . .	<u>7,128,197</u>	<u>1,380,247</u>	<u>8,508,444</u>	<u>-</u>
Total noncurrent assets . . . . .	<u>11,022,462</u>	<u>1,380,909</u>	<u>12,403,371</u>	<u>-</u>
Total assets . . . . .	<u>11,404,010</u>	<u>1,493,032</u>	<u>12,897,042</u>	<u>1,769,225</u>
<b>Deferred outflows of resources:</b>				
Pension - OPERS . . . . .	88,344	30,587	118,931	-
Total deferred outflows of resources . . . . .	<u>88,344</u>	<u>30,587</u>	<u>118,931</u>	<u>-</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable . . . . .	101,359	4,967	106,326	20,121
Accrued wages and benefits payable . . . . .	12,601	-	12,601	-
Claims payable . . . . .	-	-	-	256,857
Intergovernmental payable . . . . .	9,219	-	9,219	-
Accrued interest payable . . . . .	928	-	928	-
Vacation benefits payable . . . . .	32,805	-	32,805	-
Compensated absences payable . . . . .	54,304	-	54,304	-
Loans payable . . . . .	45,000	-	45,000	-
OPWC loans payable . . . . .	92,950	-	92,950	-
Notes payable . . . . .	33,200	-	33,200	-
Total current liabilities . . . . .	<u>382,366</u>	<u>4,967</u>	<u>387,333</u>	<u>276,978</u>
Long-term liabilities:				
Compensated absences payable . . . . .	42,842	-	42,842	-
Notes payable . . . . .	132,800	-	132,800	-
OPWC loans payable . . . . .	1,781,244	-	1,781,244	-
Net pension liability . . . . .	477,083	165,181	642,264	-
Total long-term liabilities . . . . .	<u>2,433,969</u>	<u>165,181</u>	<u>2,599,150</u>	<u>-</u>
Total liabilities . . . . .	<u>2,816,335</u>	<u>170,148</u>	<u>2,986,483</u>	<u>276,978</u>
<b>Deferred inflows of resources:</b>				
Pension - OPERS . . . . .	8,965	3,104	12,069	-
Total deferred inflows of resources . . . . .	<u>8,965</u>	<u>3,104</u>	<u>12,069</u>	<u>-</u>
<b>Net position:</b>				
Net investment in capital assets . . . . .	5,088,003	1,380,247	6,468,250	-
Unrestricted (deficit) . . . . .	3,579,051	(29,880)	3,549,171	1,492,247
Total net position . . . . .	<u>\$ 8,667,054</u>	<u>\$ 1,350,367</u>	<u>10,017,421</u>	<u>\$ 1,492,247</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			<u>108,041</u>	
Net position of business-type activities			<u>\$ 10,125,462</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, 2015

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	<b>Activities - Internal Service Funds</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 2,414,652	\$ 326,781	\$ 2,741,433	\$ 1,377,849
Other . . . . .	5,210	250	5,460	256,450
Total operating revenues. . . . .	<u>2,419,862</u>	<u>327,031</u>	<u>2,746,893</u>	<u>1,634,299</u>
<b>Operating expenses:</b>				
Personal services . . . . .	596,760	184,672	781,432	-
Benefits. . . . .	214,759	30,695	245,454	-
Contract services. . . . .	1,282,895	98,997	1,381,892	321,197
Materials and supplies. . . . .	61,681	74,545	136,226	-
Depreciation. . . . .	278,761	105,524	384,285	-
Claims expense . . . . .	-	-	-	1,349,546
Total operating expenses. . . . .	<u>2,434,856</u>	<u>494,433</u>	<u>2,929,289</u>	<u>1,670,743</u>
Operating loss . . . . .	<u>(14,994)</u>	<u>(167,402)</u>	<u>(182,396)</u>	<u>(36,444)</u>
<b>Nonoperating expenses:</b>				
Interest and fiscal charges . . . . .	(72,639)	-	(72,639)	-
Loss on disposal of capital assets . . . . .	(10,176)	-	(10,176)	-
Equity loss in joint venture . . . . .	(607,763)	-	(607,763)	-
Total nonoperating expenses. . . . .	<u>(690,578)</u>	<u>-</u>	<u>(690,578)</u>	<u>-</u>
Loss before transfers and capital contributions . . . . .	(705,572)	(167,402)	(872,974)	(36,444)
Transfer in . . . . .	50,000	-	50,000	-
Capital contributions. . . . .	<u>273,558</u>	<u>-</u>	<u>273,558</u>	<u>-</u>
Change in net position . . . . .	(382,014)	(167,402)	(549,416)	(36,444)
<b>Net position at beginning of year (restated) . . . . .</b>	<u>9,049,068</u>	<u>1,517,769</u>		<u>1,528,691</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 8,667,054</u>	<u>\$ 1,350,367</u>		<u>\$ 1,492,247</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.			<u>(2,671)</u>	
Change in net position of business-type activities.			<u>\$ (552,087)</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, 2015

	<u>Business-type Activities - Enterprise Funds</u>			<b>Governmental</b>
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	<b>Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>				
Cash received from charges for services . . . . .	\$ 2,359,287	\$ 326,781	\$ 2,686,068	\$ -
Cash received from transactions with other funds . . .	-	-	-	1,487,409
Cash received from other operations . . . . .	5,210	250	5,460	146,890
Cash payments for personal services . . . . .	(602,175)	(188,040)	(790,215)	-
Cash payments for employee services and benefits . . .	(214,759)	(30,695)	(245,454)	-
Cash payments for contractual services . . . . .	(1,203,062)	(95,115)	(1,298,177)	(301,076)
Cash payments for materials and supplies . . . . .	(60,235)	(74,545)	(134,780)	-
Cash payments for claims . . . . .	-	-	-	(1,218,120)
Net cash provided by (used in) operating activities . . . . .	<u>284,266</u>	<u>(61,364)</u>	<u>222,902</u>	<u>115,103</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from transfers in . . . . .	50,000	-	50,000	-
Cash used in repayment of interfund loans . . . . .	(124,000)	-	(124,000)	-
Net cash used in noncapital financing activities . . . . .	<u>(74,000)</u>	<u>-</u>	<u>(74,000)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Cash received from note issuance . . . . .	166,000	-	166,000	-
Cash received from OPWC loan issuance . . . . .	23,070	-	23,070	-
Acquisition of capital assets . . . . .	(22,985)	-	(22,985)	-
Principal retirement on OPWC loans . . . . .	(80,799)	-	(80,799)	-
Interest and fiscal charges . . . . .	(71,711)	-	(71,711)	-
Net cash provided by capital and related financing activities . . . . .	<u>13,575</u>	<u>-</u>	<u>13,575</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Capital contributed to joint venture . . . . .	(232,128)	-	(232,128)	-
Net cash used in investing activities . . . . .	<u>(232,128)</u>	<u>-</u>	<u>(232,128)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(8,287)	(61,364)	(69,651)	115,103
<b>Cash and investments at beginning of year . . . . .</b>	<u>108,065</u>	<u>172,622</u>	<u>280,687</u>	<u>1,654,122</u>
<b>Cash and investments at end of year . . . . .</b>	<u>\$ 99,778</u>	<u>\$ 111,258</u>	<u>\$ 211,036</u>	<u>\$ 1,769,225</u>

- - Continued

**CITY OF BAY VILLAGE, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer</u>	<u>Pool</u>	<u>Total</u>	
<b>Reconciliation of operating loss to net cash used in operating activities:</b>				
Operating loss . . . . .	\$ (14,994)	\$ (167,402)	\$ (182,396)	\$ (36,444)
Adjustments:				
Depreciation. . . . .	278,761	105,524	384,285	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Materials and supplies inventory . . . . .	1,446	-	1,446	-
Accounts receivable. . . . .	(55,365)	-	(55,365)	-
Net pension asset. . . . .	(1,392)	(482)	(1,874)	-
Deferred outflows - pension - OPERS . . . . .	(27,862)	(9,646)	(37,508)	-
Accounts payable . . . . .	84,059	3,882	87,941	20,121
Contracts payable . . . . .	(4,226)	-	(4,226)	-
Accrued wages and benefits . . . . .	1,953	-	1,953	-
Intergovernmental payable. . . . .	153	(75)	78	-
Compensated absences payable . . . . .	2,568	-	2,568	-
Vacation benefits payable . . . . .	(576)	-	(576)	-
Claims payable . . . . .	-	-	-	131,426
Net pension liability . . . . .	10,776	3,731	14,507	-
Deferred inflows - pension- OPERS. . . . .	8,965	3,104	12,069	-
Net cash provided by (used in) operating activities . . . . .	<u>\$ 284,266</u>	<u>\$ (61,364)</u>	<u>\$ 222,902</u>	<u>\$ 115,103</u>

**Non-cash transactions:**

During 2015, the sewer fund received capital asset contributions of \$273,558 from 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, 2015

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 100,685
Accounts receivable . . . . .	<u>57</u>
Total assets . . . . .	<u>\$ 100,742</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 2,744
Undistributed monies . . . . .	<u>97,998</u>
Total liabilities . . . . .	<u>\$ 100,742</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE IS INTENTIONALLY LEFT BLANK**

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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, 2015

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

The accompanying basic financial statements of the City are presented as of December 31, 2015 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, 2015

**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.

**Street construction, maintenance and repair fund** - This fund is used to account for the accumulation of resources that are restricted to be used for various road improvements.

**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, 2015

**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, 2015

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 Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions.

In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The City also reports deferred inflow of resources for the following items related to the City's net pension liability: (1) differences between expected and actual experience. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

**E. Cash and Investments**

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

During the year, the City's investments were limited to Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities, negotiable certificates of deposit and a U.S. government money market. 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 2015 amounted to \$45,060, which includes \$37,905 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.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**F. Inventories of Materials and Supplies**

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

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

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2015 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.

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:

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

<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". 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 \$1,300,000 in loans receivable/loans payable related to internal borrowings (manuscript bonds). Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**J. Compensated Absences**

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

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

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

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

**L. Fund Balance**

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

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

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

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

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

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

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

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

**M. Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net position reports \$1,056,763 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 \$273,558 in capital contributions from the governmental activities to the sewer fund.

**O. Bond Issuance Costs**

Bond issuance costs are expensed when they occur.

**P. Bond Premium**

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

**Q. Unamortized Amount on Refunding**

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

**R. Interfund Activity**

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

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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.

**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 2015.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**V. Pensions**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 8 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	<u>Governmental Activities</u>		
Net position as previously reported	\$ 29,608,019		
Net pension asset	3,300		
Deferred outflows - payments subsequent to measurement date	1,189,359		
Net pension liability	<u>(11,659,771)</u>		
 Restated net position at January 1, 2015	 <u>\$ 19,140,907</u>		
	<u>Business-Type Activities</u>	<u>Sewer Fund</u>	<u>Pool Fund</u>
Net position as previously reported	\$ 11,223,182	\$ 9,454,372	\$ 1,658,098
Net pension asset	701	521	180
Deferred outflows - payments subsequent to measurement date	81,423	60,482	20,941
Net pension liability	<u>(627,757)</u>	<u>(466,307)</u>	<u>(161,450)</u>
 Restated net position at January 1, 2015	 <u>\$ 10,677,549</u>	 <u>\$ 9,049,068</u>	 <u>\$ 1,517,769</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

**B. Deficit Fund Balances**

Fund balances at December 31, 2015 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
Street construction, maintenance and repair	\$ 942,951
 <u>Nonmajor governmental funds</u>	
Cahoun Park income	420
Equipment replacement	610,254
Public improvements	26,620

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.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**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, 2015**

**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, 2015, the carrying amount of all City deposits was \$6,154,326 and the bank balance of all City deposits was \$6,292,397. Of the bank balance, \$3,287,427 was exposed to custodial risk as described below while \$3,004,970 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, 2015

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

**B. Investments**

Investments are reported at fair value. As of December 31, 2015, 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	\$ 4,429,039	\$ 700,109	\$ 249,613	\$ 249,622	\$ 1,989,334	\$ 1,240,361
U.S. Government money market	75,778	75,778	-	-	-	-
FHLB	1,399,764	-	-	-	-	1,399,764
FNMA	349,023	-	-	-	-	349,023
Total	<u>\$ 6,253,604</u>	<u>\$ 775,887</u>	<u>\$ 249,613</u>	<u>\$ 249,622</u>	<u>\$ 1,989,334</u>	<u>\$ 2,989,148</u>

The weighted average maturity of investments is 2.49 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.

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 4,429,039	70.83
U.S. Government money market	75,778	1.21
FHLB	1,399,764	22.38
FNMA	349,023	5.58
Total	<u>\$ 6,253,604</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, 2015:

Cash and investments per note

Carrying amount of deposits	\$ 6,154,326
Investments	6,253,604
Total	<u>\$ 12,407,930</u>

Cash and investments per statement of net position

Governmental activities	\$ 12,096,209
Business-type activities	211,036
Fiduciary funds	100,685
Total	<u>\$ 12,407,930</u>

**NOTE 5 - RECEIVABLES**

Receivables at December 31, 2015, 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, 2015

**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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 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, 2015 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 2015 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, 2015 was \$14.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 518,685,410
Commercial/industrial/mineral	11,420,460
Public utility	<u>9,720,520</u>
Total assessed value	<u><u>\$ 539,826,390</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 2015.

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, 2015**

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

**C. Intergovernmental Receivables**

A summary of the governmental activities intergovernmental receivables follows:

	<u>Amount</u>
Estate tax	\$ 541
Local government	150,694
Gasoline tax	164,570
Gasoline excise tax	82,904
Motor vehicle tax	50,646
Permissive tax	9,022
Homestead and rollback	511,375
Grants - Ohio EPA	87,027
Other	30,325
Total	<u>\$ 1,087,104</u>

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 6 - CAPITAL ASSETS**

**A. Governmental activities**

Governmental activities capital asset activity for the year ended December 31, 2015 follows:

<b>Governmental activities:</b>	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
<i>Capital assets, not being depreciated:</i>				
Land	\$ 481,467	\$ -	\$ -	\$ 481,467
Construction in progress	-	132,236	-	132,236
<i>Total capital assets, not being depreciated</i>	<u>481,467</u>	<u>132,236</u>	<u>-</u>	<u>613,703</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,739,363	85,427	-	2,824,790
Buildings	13,783,094	-	-	13,783,094
Machinery and equipment	3,346,598	156,611	(204,805)	3,298,404
Software	47,838	-	-	47,838
Vehicles	5,073,620	57,142	(162,031)	4,968,731
Infrastructure:				
Roads	19,636,519	652,331	-	20,288,850
Culverts	273,724	-	-	273,724
Traffic signals	1,056,130	-	-	1,056,130
<i>Total capital assets, being depreciated</i>	<u>45,956,886</u>	<u>951,511</u>	<u>(366,836)</u>	<u>46,541,561</u>
Less accumulated depreciation:				
Land improvements	(1,104,068)	(116,559)	-	(1,220,627)
Buildings	(4,349,391)	(281,207)	-	(4,630,598)
Machinery and equipment	(2,657,890)	(138,591)	170,685	(2,625,796)
Software	(14,352)	(4,784)	-	(19,136)
Vehicles	(3,449,929)	(355,080)	159,349	(3,645,660)
Infrastructure:				
Roads	(10,177,129)	(747,225)	-	(10,924,354)
Culverts	(79,479)	(2,633)	-	(82,112)
Traffic signals	(512,579)	(35,204)	-	(547,783)
<i>Total accumulated depreciation</i>	<u>(22,344,817)</u>	<u>(1,681,283)</u>	<u>330,034</u>	<u>(23,696,066)</u>
Total capital assets being depreciated, net	<u>23,612,069</u>	<u>(729,772)</u>	<u>(36,802)</u>	<u>22,845,495</u>
Governmental activities capital assets, net	<u>\$ 24,093,536</u>	<u>\$ (597,536)</u>	<u>\$ (36,802)</u>	<u>\$ 23,459,198</u>

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Depreciation expense was charged to governmental functions as follows:

General government	\$ 71,827
Security of persons and property	336,910
Public health and welfare	370,559
Transportation	747,225
Leisure time activities	110,958
Community environment	<u>43,804</u>
Total depreciation expense	<u>\$ 1,681,283</u>

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

**B. Business-type activities**

Business-type activities capital asset activity for the year ended December 31, 2015 follows:

<b>Business-type activities:</b>	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
<i>Capital assets, not being depreciated:</i>				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
<i>Total capital assets, not being depreciated</i>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,003,880	-	-	1,003,880
Buildings	1,829,853	-	-	1,829,853
Machinery and equipment	856,490	-	-	856,490
Vehicles	1,083,773	296,543	(67,840)	1,312,476
Infrastructure:				
Sewer lines	<u>10,220,968</u>	<u>-</u>	<u>-</u>	<u>10,220,968</u>
<i>Total capital assets, being depreciated</i>	<u>14,994,964</u>	<u>296,543</u>	<u>(67,840)</u>	<u>15,223,667</u>
Less accumulated depreciation:				
Land improvements	(477,194)	(46,376)	-	(523,570)
Buildings	(509,898)	(36,598)	-	(546,496)
Machinery and equipment	(611,299)	(47,826)	-	(659,125)
Vehicles	(647,486)	(76,269)	57,664	(666,091)
Infrastructure:				
Sewer lines	<u>(4,182,725)</u>	<u>(177,216)</u>	<u>-</u>	<u>(4,359,941)</u>
<i>Total accumulated depreciation</i>	<u>(6,428,602)</u>	<u>(384,285)</u>	<u>57,664</u>	<u>(6,755,223)</u>
Total capital assets, being depreciated, net	<u>8,566,362</u>	<u>(87,742)</u>	<u>(10,176)</u>	<u>8,468,444</u>
Business-type activities capital assets, net	<u>\$ 8,606,362</u>	<u>\$ (87,742)</u>	<u>\$ (10,176)</u>	<u>\$ 8,508,444</u>

Depreciation expense was charged to the enterprise funds as follows:

Sewer	\$278,761
Swimming pool	<u>105,524</u>
 Total depreciation expense	 <u>\$384,285</u>

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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 2015, the City contracted with St. Paul/Travelers and AAIC insurance companies for their insurance. The types and amounts of coverage are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Blanket Property (Building Contents), including Boiler	\$ 37,327,488
Inland Marine (Contractors & Miscellaneous Equipment)	2,208,853
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 2015, 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 2015 the City's discount rate was 58%. 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 2015, the third party administrator was Benefits One. The actual claims cost for injured employees are paid to the BWC and in 2015 the City paid \$158,526 for incurred claims and \$19,708 was calculated for claims payable as of December 31, 2015.

Changes in the fund's claims liability amount in 2014 and 2015 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	\$ 60,216	\$ 118,018	\$ (158,526)	\$ 19,708
2014	73,638	176,672	(190,094)	60,216

**C. Employee Health Care Benefits**

The City manages health care benefits (medical and prescription drug) on a self-insured basis using an internal service fund. A third party administrator processes and pays the claims. The City purchases stop-loss coverage to insure against catastrophic claims. An excess coverage insurance (stop-loss) policy covers claims in excess of \$75,000 per employee.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

The claims liability of \$237,149 reported in the fund at December 31, 2015, 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 2014 and 2015 were:

		Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	\$	65,215	\$ 1,231,528	\$ (1,059,594)	\$ 237,149
2014		82,108	764,830	(781,723)	65,215

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability/Asset*

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

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

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

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

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

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

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

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

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

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

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

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

	State and Local
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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

The City's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$481,335 for 2015. Of this amount, \$78,928 is reported as intergovernmental payable.

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

	Police	Firefighters
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
<b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
<b>Total Employer</b>	<b>19.50 %</b>	<b>24.00 %</b>
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$816,167 for 2015. Of this amount \$106,518 is reported as intergovernmental payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,662,600	\$ 9,262,088	\$ 12,924,688
Proportionate share of the net pension asset	14,686	-	14,686
Proportion of the net pension liability	0.03036700%	0.17879040%	
Proportion of the net pension asset	0.03814300%		
Pension expense	\$ 408,305	\$ 915,119	\$ 1,323,424

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 196,321	\$ 399,187	\$ 595,508
Difference between employer contributions and proportionate share of contributions	565	46,586	47,151
City contributions subsequent to the measurement date	481,335	816,167	1,297,502
Total deferred outflows of resources	<u>\$ 678,221</u>	<u>\$ 1,261,940</u>	<u>\$ 1,940,161</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	68,826	-	68,826
Total deferred inflows of resources	<u>\$ 68,826</u>	<u>\$ -</u>	<u>\$ 68,826</u>

\$1,297,502 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

Year Ending December 31:	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
2016	\$ 19,119	\$ 111,444	\$ 130,563
2017	19,119	111,444	130,563
2018	43,624	111,444	155,068
2019	48,547	111,441	159,988
2020	(533)	-	(533)
Thereafter	(1,816)	-	(1,816)
<b>Total</b>	<b><u>\$ 128,060</u></b>	<b><u>\$ 445,773</u></b>	<b><u>\$ 573,833</u></b>

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 6,738,134	\$ 3,662,600	\$ 1,072,259
Combined Plan	\$ 1,907	\$ (14,686)	\$ (27,844)

**Actuarial Assumptions – OP&F**

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	<u>8.00</u>	7.03
 Total	 <u><u>120.00 %</u></u>	

\* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** - The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

*Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 12,810,869	\$ 9,262,088	\$ 6,257,350

**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 Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (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 2015, 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 2015 was 2.00%.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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, 2015, 2014, and 2013 were \$80,222, \$77,171, and \$39,094, respectively; 85.94% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as 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.

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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://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.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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 2015, 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 \$9,476 and \$9,906 for the year ended December 31, 2015, \$9,068 and \$9,753 for the year ended December 31, 2014, and \$50,336 and \$53,374, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 86.28% has been contributed for police and 87.99% has been contributed for firefighters for 2015. The remaining 2015 post-employment health care benefits liability has been reported as intergovernmental payable on the basic financial statements.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

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

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

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 11 - NOTES PAYABLE**

Changes in the City's note activity for the year ended December 31, 2015, were as follows:

	Balance			Balance
	<u>12/31/2014</u>	<u>Issued</u>	<u>Retired</u>	<u>12/31/2015</u>
<u>Governmental fund notes</u>				
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)	-
Various purpose notes - series 2015	-	252,600	-	252,600
Various purpose notes - series 2015	-	443,857	-	443,857
Various purpose notes - series 2015	-	42,943	-	42,943
Total Governmental Fund Notes	<u>\$ 514,000</u>	<u>\$ 739,400</u>	<u>\$ (514,000)</u>	<u>\$ 739,400</u>
<u>Business-type fund notes</u>				
Various purpose notes - series 2015	-	33,200	-	33,200
Total Business-type Fund Notes	<u>\$ -</u>	<u>\$ 33,200</u>	<u>\$ -</u>	<u>\$ 33,200</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 11, 2014, the City issued Series 2014 bond anticipation notes in the amount of \$2,320,000 to help (i) improving streets, (ii) improving the City's parks and recreational facilities, (iii) renovating and otherwise improving City Hall, (iv) renovating and otherwise improving the City's service garage and (v) improving 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. The notes bear an interest rate of 1.00% and matured on June 11, 2015.

On June 10, 2015, the City issued Series 2015 bond anticipation notes in the amount of \$3,311,000 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, \$2,538,400 has been replaced by debt that extends at least one year beyond the balance sheet date (See Note 23). The notes bear an interest rate of 1.00% and mature on June 10, 2016.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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>
<b>Governmental activities:</b>				
<i>General obligation bonds:</i>				
Recreation facilities-community gym	2002	2017	4.13%	\$ 1,100,000
Recreation facilities-aquatics facility	2002	2022	4.23%	2,600,000
Police station improvements refunding	2012	2028	2.00-4.00%	3,580,000
Police station construction	2011	2026	3.16%	1,625,000
<i>Various purpose notes:</i>				
Various purpose notes, series 2015	2015	2016	1.00%	2,405,600
<i>OPWC:</i>				
Bradley road/naigle road improvement	2013	2023	0.00%	73,069

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

Changes in governmental activities long-term obligations of the City during 2015 were as follows:

	Restated Balance			Balance	Due Within
<b>Governmental activities:</b>	<u>12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2015</u>	<u>One Year</u>
<i>General obligation bonds:</i>					
Recreation facilities - community gym	\$ 200,000	\$ -	\$ (75,000)	\$ 125,000	\$ 75,000
Recreation facilities - aquatics facility	1,040,000	-	(130,000)	910,000	130,000
Police station improvements - refunding	3,230,000	-	(225,000)	3,005,000	270,000
Police station construction	1,400,000	-	(100,000)	1,300,000	100,000
Unamortized premiums	<u>166,378</u>	<u>19,104</u>	<u>(31,197)</u>	<u>154,285</u>	<u>-</u>
<i>Total general obligation bonds</i>	<u>6,036,378</u>	<u>19,104</u>	<u>(561,197)</u>	<u>5,494,285</u>	<u>575,000</u>
<i>Various purpose notes:</i>					
Various purpose notes, series 2014	1,806,000	-	(1,806,000)	-	-
Various purpose notes, series 2015	<u>-</u>	<u>2,405,600</u>	<u>-</u>	<u>2,405,600</u>	<u>-</u>
<i>Total various purpose notes</i>	<u>1,806,000</u>	<u>2,405,600</u>	<u>(1,806,000)</u>	<u>2,405,600</u>	<u>-</u>
<i>OPWC loans:</i>					
Bradley road/naigle road improvement	<u>65,762</u>	<u>-</u>	<u>(7,307)</u>	<u>58,455</u>	<u>7,307</u>
<i>Total OPWC loans</i>	<u>65,762</u>	<u>-</u>	<u>(7,307)</u>	<u>58,455</u>	<u>7,307</u>
<i>Long-term obligations:</i>					
Net pension liability	11,659,771	622,653	-	12,282,424	-
Matured compensated absences	54,793	-	(54,793)	-	-
Compensated absences	<u>783,857</u>	<u>191,886</u>	<u>(125,977)</u>	<u>849,766</u>	<u>306,708</u>
<i>Total governmental activities</i>	<u>\$ 20,406,561</u>	<u>\$ 3,239,243</u>	<u>\$ (2,555,274)</u>	<u>\$ 21,090,530</u>	<u>\$ 889,015</u>

General obligation bonds will be paid from tax money received 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 \$2,925,000 at December 31, 2015. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

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).

Net pension liability - see Note 8 for details.

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

On June 11, 2014, the City issued a \$2,320,000 bond anticipation note for various purpose improvements. Of this amount, \$1,860,000 was initially recorded as a long-term liability. These notes matured on June 11, 2015.

On June 10, 2015, the City issued a \$3,311,000 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 \$2,405,600 of the note has been financed on a long-term basis prior to the issuance of the financial statements. See Note 23 for details on the note issuance.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2015 are as follows:

Year Ending	General Obligation Bonds			OPWC - Bradley Road/Naigle Road Improvement		
	Principal	Interest	Total	Principal	Interest	Total
December 31,						
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	500,000	94,093	594,093	7,307	-	7,307
2021 - 2025	1,985,000	264,403	2,249,403	21,920	-	21,920
2026 - 2028	745,000	37,176	782,176	-	-	-
Total	<u>\$ 5,340,000</u>	<u>\$ 954,924</u>	<u>\$ 6,294,924</u>	<u>\$ 58,455</u>	<u>\$ -</u>	<u>\$ 58,455</u>

**B. Business-type activities**

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

<u>Debt issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<b><u>Business-type activities</u></b>				
<b><i>OPWC loan:</i></b>				
Ohio Public Works Commission loan	2000	2020	0.00%	\$ 714,147
Cahoon Creek Aerial Sewer Replacement	2013	2044	0.00%	1,039,232
Cahoon Road Sewer Replacement	2014	2044	0.00%	729,040
<b><i>Various purpose notes:</i></b>				
Various purpose notes series 2015	2015	2016	1.00%	132,800

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

Changes in business-type activities long-term obligations of the City during 2015 were as follows.

	Restated Balance <u>12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2015</u>	Due Within <u>One Year</u>
<b>Business-type activities:</b>					
<i>OPWC loan:</i>					
Ohio Public Works Commission loan	\$ 204,042	\$ -	\$ (34,007)	\$ 170,035	\$ 34,007
Cahoon Creek Aerial Sewer Replacement	1,021,911	-	(34,641)	987,270	34,642
Cahoon Road Sewer Replacement	705,970	23,070	(12,151)	716,889	24,301
Various purpose notes - series 2015	-	132,800	-	132,800	-
Net pension liability	627,757	14,507	-	642,264	-
Compensated absences	<u>94,578</u>	<u>2,568</u>	<u>-</u>	<u>97,146</u>	<u>54,304</u>
<i>Total Business-type activities</i>	<u>\$ 2,654,258</u>	<u>\$ 172,945</u>	<u>\$ (80,799)</u>	<u>\$ 2,746,404</u>	<u>\$ 147,254</u>

The OPWC loans will be paid with monies from the sewer enterprise fund and are used for sewer improvements.

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

On June 10, 2015, the City issued a \$3,311,000 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 \$132,800 of the note has been financed on a long-term basis prior to the issuance of the financial statements. See Note 23 for details on the note issuance.

Net pension liability - See Note 8 for details.

Principal and interest requirements to retire business-type activities long-term obligations outstanding at December 31, 2015 are as follows:

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 12 - LONG TERM OBLIGATIONS - (Continued)**

Year Ending December 31,	Business Type Activities			Total Principal
	OPWC Loans			
	Cahoon Creek Principal	Commission Loan Principal	Cahoon Road Principal	
2016	\$ 34,642	\$ 34,007	\$ 24,301	\$ 92,950
2017	34,642	34,007	24,301	92,950
2018	34,642	34,007	24,301	92,950
2019	34,642	34,007	24,301	92,950
2020	34,642	34,007	24,301	92,950
2021 - 2025	173,205	-	121,507	294,712
2026 - 2030	173,205	-	121,507	294,712
2031 - 2035	173,205	-	121,507	294,712
2036 - 2040	173,205	-	121,507	294,712
2041 - 2044	<u>121,240</u>	<u>-</u>	<u>109,356</u>	<u>230,596</u>
Total	<u>\$ 987,270</u>	<u>\$ 170,035</u>	<u>\$ 716,889</u>	<u>\$ 1,874,194</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City’s legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2015, the City’s total debt margin was \$53,959,343 and the unvoted debt margin was \$29,690,451.

**NOTE 13 - JOINT VENTURE**

**Rocky River Wastewater Treatment Plant**

The Rocky River Wastewater Treatment Plant (the “Plant”) is a joint venture among the cities of Fairview Park, Bay Village, Rocky River and Westlake. The Plant is governed by a Management Committee consisting of the elected mayors of the four member cities and a fifth person nominated and elected by the mayors. The Management Committee has complete authority over all aspects of the Plant’s operation. The Plant supplies all participating residents of the member cities with sewer services. Each city owns the sewer lines located in its city and bills its residents for usage. Continued existence of the Plant is dependent on the City’s continued participation, and the City does have an equity interest in the Plant. The City’s equity interest is \$3,892,352 which represents 19.83 percent of the total equity in the Plant. The Plant is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. Complete financial statements can be obtained from the City of Rocky River, 21012 Hilliard Boulevard, Rocky River, Ohio 44116.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**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 2015, the City contributed \$33,647 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.

**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 2015, the City contributed \$500 which represented 10 percent of total contributions.

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

At December 31, 2015, the City was not involved in any lawsuits that would have a material adverse effect on the City's financial position.

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 16 - COMMUNITY GYMNASIUM JOINT OPERATING AGREEMENT**

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

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

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

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

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 17 - INTERFUND TRANSFERS**

Transfers made during the year ended December 31, 2015 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	\$ 430,000	\$ -	\$ -	\$ 430,000
Street construction, maintenance and repair	100,000	437,600	70,000	607,600
Fire pension	60,000	-	-	60,000
Accrued benefits	30,000	-	-	30,000
Cahoon Park income	25,000	-	-	25,000
Cahoon library	2,000	-	-	2,000
Community gym	10,000	-	-	10,000
Public improvements	8,064	212,008	-	220,072
Equipment Replacement	-	374,532	-	374,532
<i>Total governmental activities</i>	<u>\$ 665,064</u>	<u>\$ 1,024,140</u>	<u>\$ 70,000</u>	<u>\$ 1,759,204</u>
<u>Business-Type Activities</u>				
Sewer	\$ -	\$ 50,000	\$ -	\$ 50,000
Total	<u>\$ 665,064</u>	<u>\$ 1,074,140</u>	<u>\$ 70,000</u>	<u>\$ 1,809,204</u>

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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 that were previously recorded as fund liabilities and the transfer to the sewer fund was to pay down loans payable related to manuscript debt. The \$70,000 transfer from the infrastructure improvement fund, a nonmajor governmental fund, to the street construction, maintenance and repair fund was to fund the City's share of a street infrastructure project. 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, 2015 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	Street construction, maintenance and repair	\$ 480,000
General obligation bond retirement fund	Nonmajor governmental fund	775,000
General obligation bond retirement fund	Sewer fund	<u>45,000</u>
Total		<u>\$ 1,300,000</u>

All long-term advances are not expected to be repaid within one year. Loans receivable/loans payable from the general obligation bond retirement fund to the street construction, maintenance and repair fund, a nonmajor governmental fund and the sewer fund in the amount of \$1,300,000 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, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 460,000	\$ 21,515	\$ 481,515
2017	280,000	12,780	292,780
2018	165,000	8,630	173,630
2019	155,000	6,567	161,567
2020	80,000	4,320	84,320
2021 - 2022	<u>160,000</u>	<u>4,560</u>	<u>164,560</u>
Total	<u>\$ 1,300,000</u>	<u>\$ 58,372</u>	<u>\$ 1,358,372</u>

**CITY OF BAY VILLAGE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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 - INTERFUND LOANS RECEIVABLE/PAYABLE**

Interfund balances at December 31, 2015 as reported on the fund statements, consist of the following amounts of interfund loans receivable/payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental fund	Street construction, maintenance and repair	\$ 175,000

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

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

**NOTE 20 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and street construction, maintenance and repair 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, 2015

**NOTE 20 - 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>	Street Construction, Maintenance and <u>Repair fund</u>
Budget basis	\$ (48,003)	\$ (24,381)
Net adjustment for revenue accruals	(128,097)	(7,375)
Net adjustment for expenditure accruals	32,505	(46,562)
Net adjustment for other financing sources/(uses)	145,483	(121,257)
Funds budgeted elsewhere	492,452	-
Adjustment for encumbrances	<u>167,317</u>	<u>17,588</u>
GAAP basis	<u>\$ 661,657</u>	<u>\$ (181,987)</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.

THIS SPACE INTENTIONALLY LEFT BLANK

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 21 - FUND BALANCE**

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

Fund balance	General	Street Construction, Maintenance and Repair Fund	General Obligation Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 5,057	\$ 14,367	\$ -	\$ 32,817	\$ 52,241
Prepays	68,010	-	-	-	68,010
Permanent fund principal	-	-	-	163,623	163,623
<b>Total nonspendable</b>	<b>73,067</b>	<b>14,367</b>	<b>-</b>	<b>196,440</b>	<b>283,874</b>
Restricted:					
Debt service	-	-	-	19,104	19,104
General government	-	-	-	73,203	73,203
Security of persons and property	-	-	-	298,994	298,994
Leisure time activities	-	-	-	112,022	112,022
Community environment	-	-	-	7,665	7,665
Transportation	-	-	-	38,269	38,269
Cahoon Park	-	-	-	77,764	77,764
Cahoon Library	-	-	-	22,553	22,553
Capital improvements	-	-	-	13,613	13,613
Permanent fund	-	-	-	7,176	7,176
<b>Total restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>670,363</b>	<b>670,363</b>
Committed:					
Capital improvements	-	-	-	3,470,341	3,470,341
Debt service	-	-	5,004,068	-	5,004,068
Leisure time activities	-	-	-	1,351	1,351
Severance	-	-	-	55,665	55,665
General government	-	-	-	57,992	57,992
<b>Total committed</b>	<b>-</b>	<b>-</b>	<b>5,004,068</b>	<b>3,585,349</b>	<b>8,589,417</b>
Assigned:					
Bay family services	3,356	-	-	-	3,356
General government	32,834	-	-	-	32,834
Security of persons and property	26,897	-	-	-	26,897
Utility services	2,893	-	-	-	2,893
<b>Total assigned</b>	<b>65,980</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,980</b>
<b>Unassigned (deficit)</b>	<b>3,201,345</b>	<b>(957,318)</b>	<b>-</b>	<b>(637,294)</b>	<b>1,606,733</b>
<b>Total fund balances (deficit)</b>	<b>\$ 3,340,392</b>	<b>\$ (942,951)</b>	<b>\$ 5,004,068</b>	<b>\$ 3,814,858</b>	<b>\$ 11,216,367</b>

**CITY OF BAY VILLAGE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 22 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 73,127
Street construction, maintenance and repair fund	11,578
Other governmental	<u>165,744</u>
Total	<u>\$ 250,449</u>

**NOTE 23 - SUBSEQUENT EVENT**

On June 10, 2016, the City issued \$3,913,000 in Various Purpose Bond Anticipation Notes. The notes carry an interest rate of 1.00% and will mature on June 10, 2017. Furthermore, \$2,538,400 of the issuance is for the purpose of refinancing a portion of the Series 2016 Various Purpose Bond Anticipation Notes, originally issued for \$3,311,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BAY VILLAGE, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.030367%	0.030367%
City's proportionate share of the net pension liability	\$ 3,662,600	\$ 3,579,874
City's covered-employee payroll	\$ 3,729,939	\$ 3,780,308
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.19%	94.70%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
City's proportion of the net pension asset	0.038143%	0.038143%
City's proportionate share of the net pension asset	\$ 14,686	\$ 4,001
City's covered-employee payroll	\$ 139,427	\$ 130,754
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.53%	3.06%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BAY VILLAGE, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.17879040%	0.17879040%
City's proportionate share of the net pension liability	\$ 9,262,088	\$ 8,707,654
City's covered-employee payroll	\$ 3,781,102	\$ 3,098,062
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	244.96%	281.07%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BAY VILLAGE, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 465,212	\$ 447,593	\$ 491,440	\$ 389,995
Contributions in relation to the contractually required contribution	<u>(465,212)</u>	<u>(447,593)</u>	<u>(491,440)</u>	<u>(389,995)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 3,876,767	\$ 3,729,939	\$ 3,780,308	\$ 3,899,950
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 16,123	\$ 16,731	\$ 16,998	\$ 10,241
Contributions in relation to the contractually required contribution	<u>(16,123)</u>	<u>(16,731)</u>	<u>(16,998)</u>	<u>(10,241)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 134,358	\$ 139,427	\$ 130,754	\$ 128,818
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

Note: Information prior to 2010 for the Combined Plan was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 395,459	\$ 374,332	\$ 365,276	\$ 298,971	\$ 383,273	\$ 405,907
<u>(395,459)</u>	<u>(374,332)</u>	<u>(365,276)</u>	<u>(298,971)</u>	<u>(383,273)</u>	<u>(405,907)</u>
<u>\$ -</u>					
\$ 3,954,590	\$ 4,196,547	\$ 4,492,940	\$ 4,271,014	\$ 4,590,096	\$ 4,412,033
10.00%	8.92%	8.13%	7.00%	8.35%	9.20%
\$ 10,018	\$ 12,567	\$ -	\$ -	\$ -	\$ -
<u>(10,018)</u>	<u>(12,567)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>					
\$ 126,013	\$ 129,690	\$ -	\$ -	\$ -	\$ -
7.95%	9.69%				

**CITY OF BAY VILLAGE, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 350,607	\$ 346,649	\$ 239,700	\$ 212,675
Contributions in relation to the contractually required contribution	<u>(350,607)</u>	<u>(346,649)</u>	<u>(239,700)</u>	<u>(212,675)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,845,300	\$ 1,824,468	\$ 1,509,446	\$ 1,668,039
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%
<i>Fire:</i>				
Contractually required contribution	\$ 465,560	\$ 459,809	\$ 323,760	\$ 321,847
Contributions in relation to the contractually required contribution	<u>(465,560)</u>	<u>(459,809)</u>	<u>(323,760)</u>	<u>(321,847)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,981,106	\$ 1,956,634	\$ 1,588,616	\$ 1,865,780
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	20.38%	17.25%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 204,768	\$ 220,602	\$ 210,112	\$ 213,528	\$ 199,211	\$ 188,638
<u>(204,768)</u>	<u>(220,602)</u>	<u>(210,112)</u>	<u>(213,528)</u>	<u>(199,211)</u>	<u>(188,638)</u>
<u>\$ -</u>					
\$ 1,606,024	\$ 1,730,212	\$ 1,647,937	\$ 1,674,729	\$ 1,562,439	\$ 1,605,430
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
\$ 305,229	\$ 342,239	\$ 334,682	\$ 317,749	\$ 286,086	\$ 298,898
<u>(305,229)</u>	<u>(342,239)</u>	<u>(334,682)</u>	<u>(317,749)</u>	<u>(286,086)</u>	<u>(298,898)</u>
<u>\$ -</u>					
\$ 1,769,443	\$ 1,983,994	\$ 1,940,186	\$ 1,842,023	\$ 1,658,470	\$ 1,784,466
17.25%	17.25%	17.25%	17.25%	17.25%	16.75%

**CITY OF BAY VILLAGE, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*OHIO POLICE AND FIRE (OP&F) PENSION FUND*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



## Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **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, Ohio, as of and for the year ended December 31, 2015, 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 23, 2016, wherein we noted as discussed in Note 3, the City of Bay Village adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

#### ***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 City Manager  
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 23, 2016



# Dave Yost • Auditor of State

**CITY OF BAY VILLAGE**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 19, 2016**