

City of Bay Village, Ohio

December 31, 2009



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Bay Village, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2009 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 16, 2010

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City of Bay Village, Ohio

For The Year Ended December 31, 2009

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Independent Auditors' Report

Members of the City Council
Bay Village, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay Village, Ohio (the "City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*; No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*; and No. 57 *Other Postemployment Benefit (OPEB) Measurement by Agent Employers and Agent Multiple-Employers*.

Members of the City Council
Bay Village, Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 17, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cioni & Parichi, Inc.

Cleveland, Ohio
June 11, 2010

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009. 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 2009 are as follows:

- The total net assets of the City decreased \$683,823. Net assets of governmental activities decreased \$613,980 or 2.22% below 2008 and net assets of business-type activities decreased \$69,843 or 0.59% below 2008.
- General revenues accounted for \$14,190,061 of total governmental activities revenue. Program specific revenues accounted for \$1,998,106 or 12.34% of total governmental activities revenue.
- The City had \$16,456,461 in expenses related to governmental activities; \$1,998,106 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$14,458,355 were offset by general revenues (primarily property taxes, municipal income taxes and unrestricted grants and entitlements) of \$14,190,061.
- The general fund had revenues and other financing sources of \$11,610,815 in 2009. This represents a decrease of \$571,359 from 2008. The expenditures and other financing uses of the general fund, which totaled \$12,123,984 in 2009, decreased \$11,386,495 from 2008. The net decrease in fund balance for the general fund was \$513,169 or 14.61%.
- The general obligation bond retirement fund had revenues of \$2,031,575 in 2009. The expenditures and other financing uses of the general obligation bond retirement fund totaled \$2,018,353 in 2009. The net increase in fund balance for the general obligation bond retirement fund was \$13,222 or 0.42%.
- The infrastructure improvement fund had a fund balance of \$4,191,175.
- Net assets for the business-type activities, which are made up of the sewer and swimming pool enterprise funds, decreased in 2009 by \$69,843.
- The sewer enterprise fund had operating revenues of \$1,448,948 and operating expenses of \$1,672,132. The sewer fund had \$80,085 in non-operating expenses, transfers in of \$59,875 and capital contributions of \$285,811. Net assets of the sewer fund increased \$42,417 or 0.43%.
- The swimming pool enterprise fund had operating revenues of \$318,369 and operating expenses of \$437,133. The net assets of the swimming pool fund decreased \$118,764 or 5.64%.
- In the general fund, the actual revenues and other financing sources came in \$145,904 lower than they were in the final budget and actual expenditures and other financing uses were \$407,724 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$98,225 from the original to the final budget. Budgeted revenues were decreased \$224,035 from the original to the final budget.

Using this Annual Financial Report

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

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, general obligation bond retirement fund and infrastructure improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-25 of this report.

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-61 of this report.

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets at December 31, 2009 compared to 2008.

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>						
Current and other assets	\$ 23,849,045	\$ 27,773,972	\$ 5,541,494	\$ 5,851,481	\$ 29,390,539	\$ 33,625,453
Capital assets, net	<u>21,940,973</u>	<u>22,618,182</u>	<u>7,085,701</u>	<u>6,848,476</u>	<u>29,026,674</u>	<u>29,466,658</u>
Total assets	<u>45,790,018</u>	<u>50,392,154</u>	<u>12,627,195</u>	<u>12,699,957</u>	<u>58,417,213</u>	<u>63,092,111</u>
<u>Liabilities</u>						
Current and other liabilities	7,726,045	10,358,075	146,816	79,214	7,872,861	10,437,289
Long-term liabilities:						
Due within one year	1,996,667	1,954,097	100,823	84,006	2,097,490	2,038,103
Due in more than one year	<u>9,015,272</u>	<u>10,413,968</u>	<u>580,777</u>	<u>668,115</u>	<u>9,596,049</u>	<u>11,082,083</u>
Total liabilities	<u>18,737,984</u>	<u>22,726,140</u>	<u>828,416</u>	<u>831,335</u>	<u>19,566,400</u>	<u>23,557,475</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	12,236,062	9,327,552	6,511,625	6,190,394	18,747,687	15,517,946
Restricted for:						
Capital projects	6,486,173	6,861,080	-	-	6,486,173	6,861,080
Debt service	3,314,701	3,299,326	-	-	3,314,701	3,299,326
Other purposes	1,787,249	1,856,355	-	-	1,787,249	1,856,355
Unrestricted	<u>3,227,849</u>	<u>6,321,701</u>	<u>5,287,154</u>	<u>5,678,228</u>	<u>8,515,003</u>	<u>11,999,929</u>
Total net assets	<u>\$ 27,052,034</u>	<u>\$ 27,666,014</u>	<u>\$ 11,798,779</u>	<u>\$ 11,868,622</u>	<u>\$ 38,850,813</u>	<u>\$ 39,534,636</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$38,850,813. At year-end, net assets were \$27,052,034 and \$11,798,779 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 49.69% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$12,236,062 and \$6,511,625 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$11,588,123, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,227,849 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

The table below shows the comparative analysis of changes in net assets for 2009 compared to 2008.

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,074,675	\$ 903,499	\$ 1,766,264	\$ 1,806,070	\$ 2,840,939	\$ 2,709,569
Operating grants and contributions	747,780	810,861	-	-	747,780	810,861
Capital grants and contributions	<u>175,651</u>	<u>4,230,626</u>	<u>-</u>	<u>919,894</u>	<u>175,651</u>	<u>5,150,520</u>
Total program revenues	<u>1,998,106</u>	<u>5,944,986</u>	<u>1,766,264</u>	<u>2,725,964</u>	<u>3,764,370</u>	<u>8,670,950</u>
General revenues:						
Property taxes	6,700,842	6,656,527	-	-	6,700,842	6,656,527
Income taxes	4,303,883	5,463,871	-	-	4,303,883	5,463,871
Grants and entitlements	2,677,699	2,489,837	-	-	2,677,699	2,489,837
Investment earnings	179,686	547,489	-	-	179,686	547,489
Other	<u>327,951</u>	<u>279,433</u>	<u>1,053</u>	<u>200</u>	<u>329,004</u>	<u>279,633</u>
Total general revenues	<u>14,190,061</u>	<u>15,437,157</u>	<u>1,053</u>	<u>200</u>	<u>14,191,114</u>	<u>15,437,357</u>
Total revenues	<u>16,188,167</u>	<u>21,382,143</u>	<u>1,767,317</u>	<u>2,726,164</u>	<u>17,955,484</u>	<u>24,108,307</u>

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Change in Net Assets - (Continued)

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Expenses:						
General government	3,080,765	3,168,532	-	-	3,080,765	3,168,532
Security of persons and property	6,770,062	6,684,304	-	-	6,770,062	6,684,304
Public health and welfare	451,683	382,007	-	-	451,683	382,007
Transportation	1,993,372	2,338,830	-	-	1,993,372	2,338,830
Community environment	717,888	855,503	-	-	717,888	855,503
Leisure time activity	1,069,475	1,071,434	-	-	1,069,475	1,071,434
Basic utility	1,831,557	1,778,101	-	-	1,831,557	1,778,101
Interest and fiscal charges	541,659	572,640	-	-	541,659	572,640
Sewer	-	-	1,745,767	1,707,737	1,745,767	1,707,737
Swimming pool	-	-	437,079	457,094	437,079	457,094
Total expenses	<u>16,456,461</u>	<u>16,851,351</u>	<u>2,182,846</u>	<u>2,164,831</u>	<u>18,639,307</u>	<u>19,016,182</u>
Special Item:						
Estate tax refunds	-	(2,683,690)	-	-	-	(2,683,690)
Transfers	<u>(345,686)</u>	<u>(61,375)</u>	<u>345,686</u>	<u>61,375</u>	<u>-</u>	<u>-</u>
Change in net assets	(613,980)	1,785,727	(69,843)	622,708	(683,823)	2,408,435
Net assets at beginning of year	<u>27,666,014</u>	<u>25,880,287</u>	<u>11,868,622</u>	<u>11,245,914</u>	<u>39,534,636</u>	<u>37,126,201</u>
Net assets at end of year	<u>\$ 27,052,034</u>	<u>\$ 27,666,014</u>	<u>\$ 11,798,779</u>	<u>\$ 11,868,622</u>	<u>\$ 38,850,813</u>	<u>\$ 39,534,636</u>

Governmental Activities

Governmental activities net assets decreased \$613,980 in 2009.

Security of persons and property, which includes police and fire department operations, accounted for \$6,770,062 or 41.14% of the total expenses of the City. Security of persons and property expenses were partially funded by \$64,989 in direct charges to users of the services. General government expenses totaled \$3,080,765. General government expenses were partially funded by \$337,311 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$747,780 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of this total, \$686,637 subsidized transportation programs.

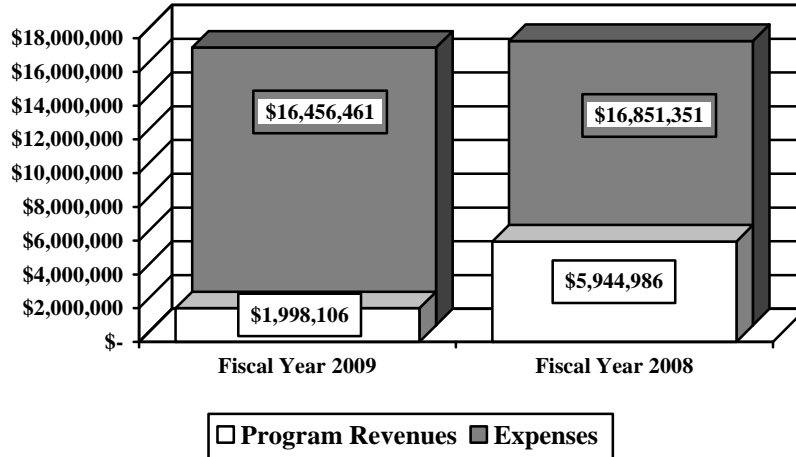
General revenues totaled \$14,190,061, and amounted to 87.66% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$11,004,725, as well as grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$2,677,699.

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

Governmental Activities – Program Revenues vs. Total Expenses



The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements for 2009 compared to 2008.

Governmental Activities

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 3,080,765	\$ 2,736,403	\$ 3,168,532	\$ 2,706,584
Security of persons and property	6,770,062	6,671,841	6,684,304	6,595,370
Public health and welfare	451,683	442,888	382,007	370,972
Transportation	1,993,372	911,858	2,338,830	(2,545,938)
Community environment	717,888	467,946	855,503	604,738
Leisure time activities	1,069,475	854,203	1,071,434	823,898
Basic utility services	1,831,557	1,831,557	1,778,101	1,778,101
Interest and fiscal charges	541,659	541,659	572,640	572,640
Total Expenses	\$ 16,456,461	\$ 14,458,355	\$ 16,851,351	\$ 10,906,365

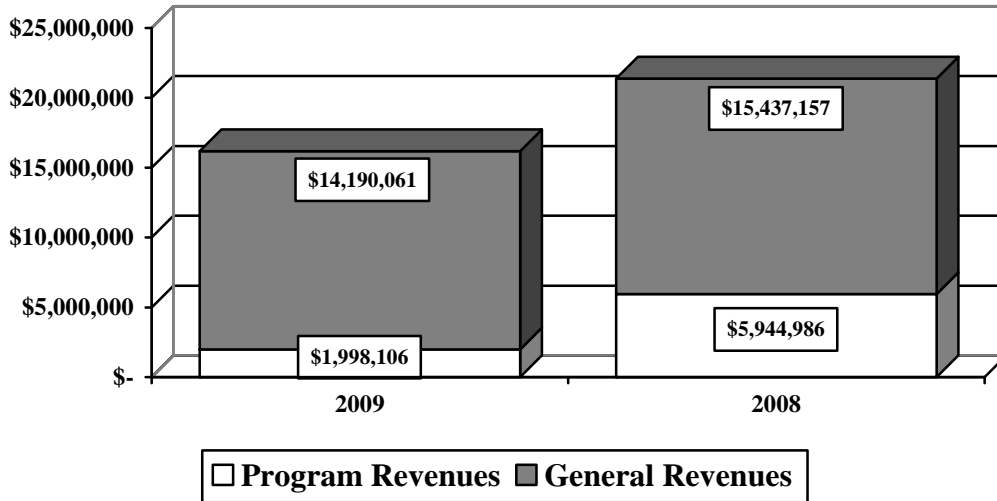
The dependence upon general revenues for governmental activities is apparent, with 87.86% of expenses supported through taxes and other general revenues.

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

The chart below illustrates the City's program revenues versus general revenues for 2009 and 2008.

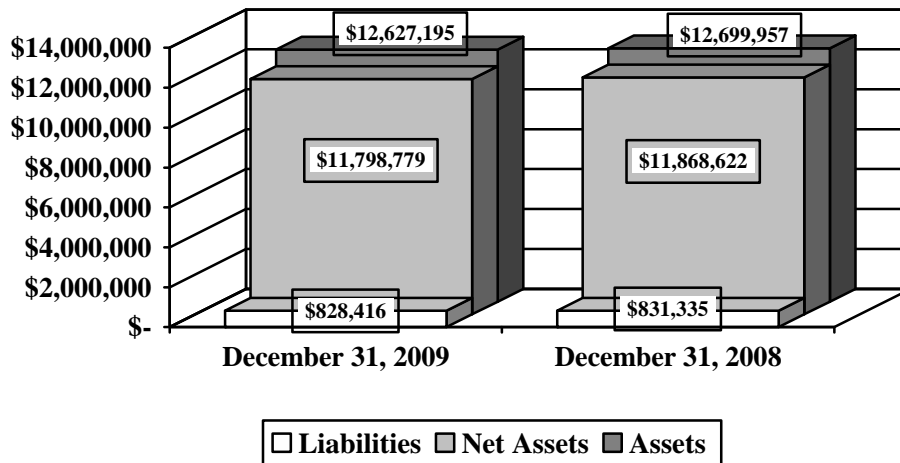
Governmental Activities – General and Program Revenues



Business-type Activities

Business-type activities include the sewer and swimming pool enterprise funds. These programs had program revenues of \$1,766,264, general revenues of \$1,053, transfers in of \$345,686 and expenses of \$2,182,846 for 2009. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets in Business – Type Activities



CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$14,046,972 which is \$1,127,981 lower than last year's total of \$15,174,953. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and non-major governmental funds.

	<u>Fund Balances</u> 12/31/09	<u>Fund Balances</u> 12/31/08	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
General	\$ 2,999,534	\$ 3,512,703	\$ (513,169)
General obligation bond retirement	3,158,845	3,145,623	13,222
Infrastructure improvements	4,191,175	4,191,175	-
Other nonmajor governmental funds	<u>3,697,418</u>	<u>4,325,452</u>	<u>(628,034)</u>
Total	<u>\$ 14,046,972</u>	<u>\$ 15,174,953</u>	<u>\$ (1,127,981)</u>

General Fund

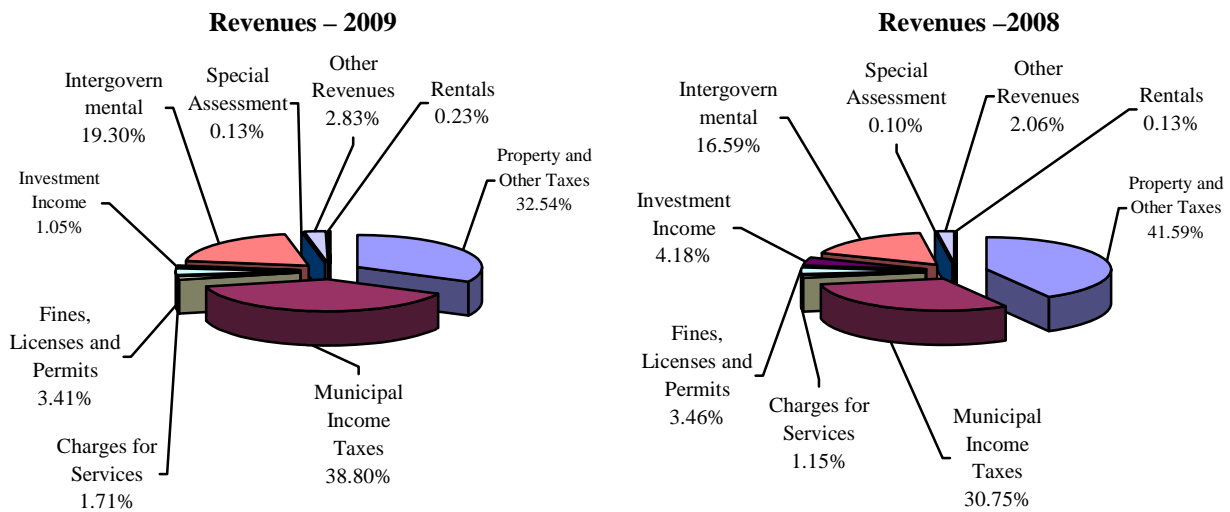
The City's general fund balance decreased \$513,169. The table that follows assists in illustrating the revenues of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Municipal income taxes	\$ 4,492,593	\$ 5,066,993	\$ (574,400)	(11.34) %
Property and other taxes	3,767,632	3,745,549	22,083	0.59 %
Charges for services	198,304	140,040	58,264	41.61 %
Fines, licenses and permits	394,773	421,105	(26,332)	(6.25) %
Intergovernmental	2,234,063	2,020,537	213,526	10.57 %
Special assessments	15,196	11,695	3,501	100.00 %
Investment income	121,825	509,642	(387,817)	(76.10) %
Rentals	26,596	15,523	11,073	71.33 %
Miscellaneous	<u>327,451</u>	<u>251,090</u>	<u>76,361</u>	30.41 %
Total	<u>\$11,578,433</u>	<u>\$ 12,182,174</u>	<u>\$ (603,741)</u>	(4.96) %

CITY OF BAY VILLAGE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Revenue of the general fund decreased \$603,241 or 4.96%. Tax revenue (income tax, property and other taxes) represents 71.34% of all general fund revenue. Tax revenue decreased \$552,317 or 6.27% over prior year. This decrease is primarily due to the City temporarily reallocating all income tax receipts to the general fund for 2008. During 2009, the City reverted back to allocating only 94.00% of income tax revenues to the general fund. The increase in charges for services of \$58,264 is due to billings for Emergency Medical Services. The increase of \$213,526 in intergovernmental revenues is primarily due to an increase in local government and estates tax receipts from 2008. Investment income decreased \$387,817 due to a decrease in interest rates earned on the City's investments compared to 2008.



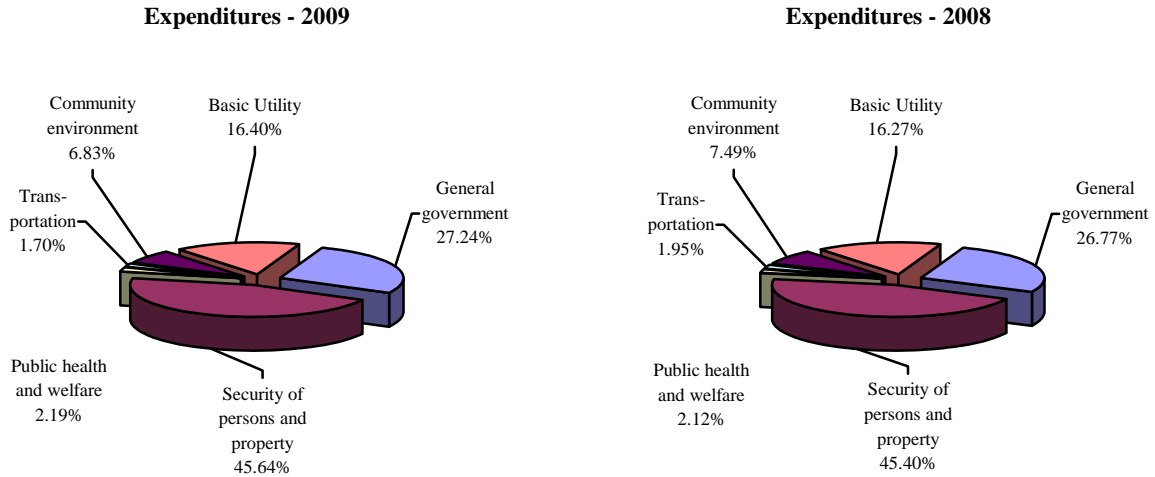
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
General government	\$ 3,017,852	\$ 2,931,810	\$ 86,042	2.93 %
Security of persons and property	5,055,726	4,972,915	82,811	1.67 %
Public health and welfare	242,182	231,708	10,474	4.52 %
Transportation	188,653	213,935	(25,282)	(11.82) %
Community environment	757,108	820,519	(63,411)	(7.73) %
Basic utility services	1,816,963	1,781,742	35,221	1.98 %
Total	<u>\$ 11,078,484</u>	<u>\$ 10,952,629</u>	<u>\$ 125,855</u>	1.15 %

General fund expenditures increased \$125,855 or 1.15%. The largest expenditure line item, security of persons and property increased slightly from 2008. The increases in general government, security of persons and property and basic utility services can be attributed to an increase in salaries paid to employees.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009



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.

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources came in \$145,904 lower than they were in the final budget and actual expenditures and other financing uses were \$407,724 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$98,225 from the original to the final budget. Budgeted revenues were decreased \$224,035 from the original to the final budget.

General Obligation Bond Retirement Fund

The general obligation bond retirement fund had revenues of \$2,031,575 in 2009. The expenditures and other financing uses of the general obligation bond retirement fund, totaled \$2,018,353 in 2009. The net increase in fund balance for the general obligation bond retirement fund was \$13,222 or 0.42%.

Infrastructure Improvement Fund

The infrastructure improvement fund maintained a fund balance of \$4,191,175 during 2009.

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.

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Capital Assets and Debt Administration

Capital Assets

At the end of 2009, the City had \$29,026,674 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings, machinery and equipment, vehicles, and infrastructure. Of this total, \$21,940,973 was reported in governmental activities and \$7,085,701 was reported in business-type activities. The following table shows December 31, 2009 balances compared to December 31, 2008:

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

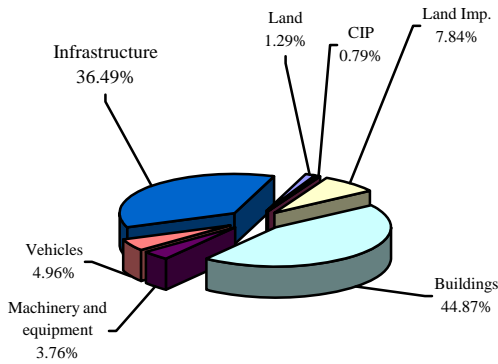
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Land	\$ 284,067	\$ 284,067	\$ 40,000	\$ 40,000	\$ 324,067	\$ 324,067
Construction in Progress	172,535	-	226,935	-	399,470	-
Land improvements	1,720,339	1,816,228	644,999	678,601	2,365,338	2,494,829
Buildings	9,845,151	10,087,918	1,337,674	1,371,807	11,182,825	11,459,725
Machinery and equipment	824,494	748,072	475,453	524,925	1,299,947	1,272,997
Vehicles	1,087,284	1,267,146	460,803	206,149	1,548,087	1,473,295
Infrastructure						
Roads	7,363,426	7,737,924	-	-	7,363,426	7,737,924
Sewer lines	-	-	3,899,837	4,026,994	3,899,837	4,026,994
Culverts	81,142	83,775	-	-	81,142	83,775
Traffic signals	562,535	593,052	-	-	562,535	593,052
Totals	<u>\$ 21,940,973</u>	<u>\$ 22,618,182</u>	<u>\$ 7,085,701</u>	<u>\$ 6,848,476</u>	<u>\$ 29,026,674</u>	<u>\$ 29,466,658</u>

CITY OF BAY VILLAGE, OHIO

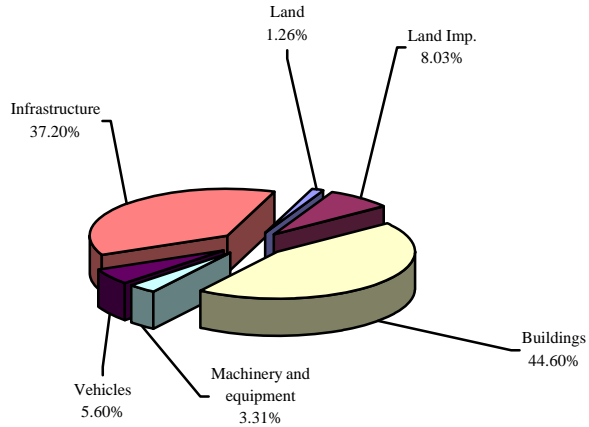
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

**Capital Assets - Governmental Activities
December 31, 2009**



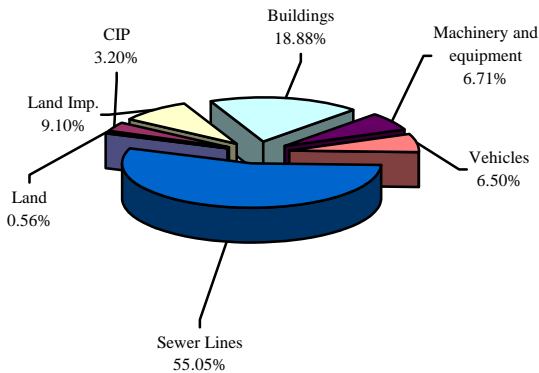
**Capital Assets - Governmental Activities
December 31, 2008**



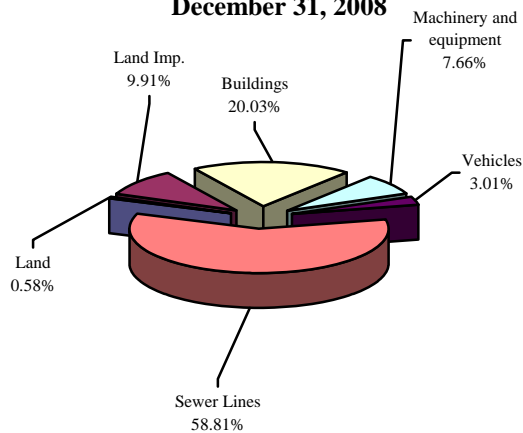
Infrastructure includes streets, culverts and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 36.49% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.

**Capital Assets - Business-Type Activities
December 31, 2009**



**Capital Assets - Business-Type Activities
December 31, 2008**



The City's largest business-type capital asset category is sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's sewer lines (cost less accumulated depreciation) represents approximately 55.04% of the City's total business-type capital assets.

CITY OF BAY VILLAGE, OHIO

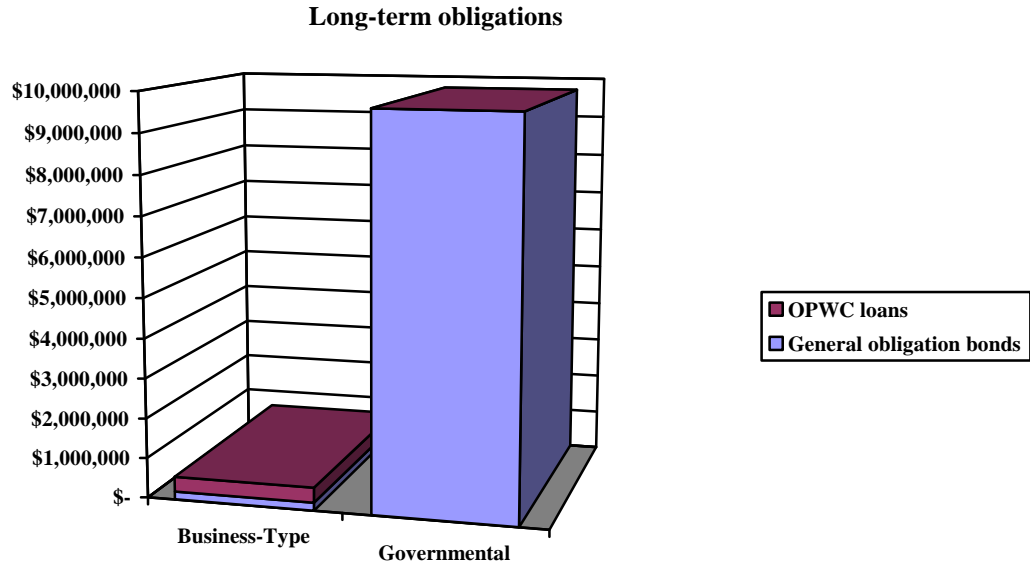
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2009 and 2008:

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 9,704,911	\$ 11,144,519
Total long-term obligations	<u>\$ 9,704,911</u>	<u>\$ 11,144,519</u>
	Business-type Activities	
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 200,000	\$ 250,000
OPWC loans	<u>374,076</u>	<u>408,082</u>
Total long-term obligations	<u>\$ 574,076</u>	<u>\$ 658,082</u>

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



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

CITY OF BAY VILLAGE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Current Financial Related Activities

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

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

The City remains committed to improving facilities and services. Management continually reviews and plans in relation to annual and projected budgets. In 2010,

- Several Departments applied for grants on the county, state and federal level:
 - Community Services applied for a grant to enhance ADA access at the senior center facility.
 - Recreation applied for a grant to purchase and replace toddler park equipment and ADA youth park equipment.
 - In 2009 the Fire Department spent \$169,544 of a Federal Homeland Security grant on the purchase of two sets of extrication equipment and training in vehicle operations, rope, elevator, and swift water rescue. In 2010 they are in the approval process to spend the remaining \$25,420.
 - The City applied for an Ohio EPA Water Quality Improvement project grant.
 - The City's Service Department, in conjunction with the citizens "Green Team", received a 2010 grant from Cuyahoga County to continue recycling efforts. They also received an award from Cuyahoga County acknowledging the achievements from their 2009 grant.
- The City, along with six neighboring communities, is participating in a feasibility study to explore regional fire and emergency medical response services. The study is partially funded from a grant through the Kent State University.

Contacting the City's Financial Management

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

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CITY OF BAY VILLAGE, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 12,767,265	\$ 774,863	\$ 13,542,128
Receivables (net of allowances for uncollectibles):			
Municipal income taxes	1,673,813	-	1,673,813
Property and other local taxes	7,337,898	-	7,337,898
Accounts	81,762	160,385	242,147
Accrued interest	66,291	-	66,291
Special assessments	178,264	-	178,264
Intergovernmental	1,165,198	-	1,165,198
Materials and supplies inventory	106,613	266	106,879
Prepayments	58,526	-	58,526
Internal balance	286,297	(286,297)	-
Investment in joint venture	-	4,892,277	4,892,277
Unamortized bond issuance costs	127,118	-	127,118
Capital assets:			
Land and construction in progress	456,602	266,935	723,537
Depreciable capital assets, net	21,484,371	6,818,766	28,303,137
Total capital assets	21,940,973	7,085,701	29,026,674
Total assets	45,790,018	12,627,195	58,417,213
Liabilities:			
Accounts payable	124,852	967	125,819
Contracts payable	-	95,301	95,301
Accrued wages and benefits	41,365	4,017	45,382
Intergovernmental payable	442,264	6,584	448,848
Accrued interest payable	33,852	667	34,519
Unearned revenue	6,359,758	-	6,359,758
Claims payable	137,791	-	137,791
Vacation benefit payable	586,163	39,280	625,443
Long-term liabilities:			
Due within one year	1,996,667	100,823	2,097,490
Due in more than one year	9,015,272	580,777	9,596,049
Total liabilities	18,737,984	828,416	19,566,400
Net assets:			
Invested in capital assets, net of related debt	12,236,062	6,511,625	18,747,687
Restricted for:			
Capital projects	6,486,173	-	6,486,173
Debt service	3,314,701	-	3,314,701
Street construction	712,297	-	712,297
State highway maintenance	26,816	-	26,816
Accrued benefits	594,441	-	594,441
Cahoon park	111,688	-	111,688
Waldeck estate	173,754	-	173,754
Other purposes	168,253	-	168,253
Unrestricted	3,227,849	5,287,154	8,515,003
Total net assets	\$ 27,052,034	\$ 11,798,779	\$ 38,850,813

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 3,080,765	\$ 337,311	\$ 7,051	\$ -
Security of persons and property	6,770,062	64,989	33,232	-
Public health and welfare	451,683	-	8,795	-
Transportation	1,993,372	219,226	686,637	175,651
Community environment	717,888	244,966	4,976	-
Leisure time activity	1,069,475	208,183	7,089	-
Basic utility services	1,831,557	-	-	-
Interest and fiscal charges	541,659	-	-	-
Total governmental activities	<u>16,456,461</u>	<u>1,074,675</u>	<u>747,780</u>	<u>175,651</u>
Business-type Activities:				
Sewer	1,745,767	1,448,095	-	-
Swimming pool	<u>437,079</u>	<u>318,169</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,182,846</u>	<u>1,766,264</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 18,639,307</u>	<u>\$ 2,840,939</u>	<u>\$ 747,780</u>	<u>\$ 175,651</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	
Interest	
Miscellaneous	
Total general revenues.	
Transfers.	
Change in net assets.	
Net assets at beginning of year	
Net assets at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net Revenue (Expense) and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,736,403)	\$ -	\$ (2,736,403)
(6,671,841)	-	(6,671,841)
(442,888)	-	(442,888)
(911,858)	-	(911,858)
(467,946)	-	(467,946)
(854,203)	-	(854,203)
(1,831,557)	-	(1,831,557)
(541,659)	-	(541,659)
<u>(14,458,355)</u>	<u>-</u>	<u>(14,458,355)</u>
-	(297,672)	(297,672)
<u>-</u>	<u>(118,910)</u>	<u>(118,910)</u>
-	(416,582)	(416,582)
<u>(14,458,355)</u>	<u>(416,582)</u>	<u>(14,874,937)</u>
3,763,302	-	3,763,302
669,889	-	669,889
249,414	-	249,414
134,404	-	134,404
141,051	-	141,051
1,742,782	-	1,742,782
4,045,696	-	4,045,696
86,062	-	86,062
172,125	-	172,125
2,677,699	-	2,677,699
179,686	-	179,686
327,951	1,053	329,004
<u>14,190,061</u>	<u>1,053</u>	<u>14,191,114</u>
<u>(345,686)</u>	<u>345,686</u>	<u>-</u>
(613,980)	(69,843)	(683,823)
<u>27,666,014</u>	<u>11,868,622</u>	<u>39,534,636</u>
<u>\$ 27,052,034</u>	<u>\$ 11,798,779</u>	<u>\$ 38,850,813</u>

CITY OF BAY VILLAGE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Infrastructure Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments.	\$ 1,762,611	\$ 2,012,817	\$ 4,191,175	\$ 4,247,854	\$ 12,214,457
Receivables (net of allowance for uncollectibles):					
Municipal income taxes	1,573,384	-	-	100,429	1,673,813
Property and other local taxes.	4,136,801	1,915,733	-	1,285,364	7,337,898
Accounts.	76,422	-	-	885	77,307
Special assessments	22,764	-	-	155,500	178,264
Accrued interest	66,291	-	-	-	66,291
Intergovernmental	642,534	136,266	-	386,398	1,165,198
Advances to other funds	-	925,000	-	-	925,000
Prepayments	56,651	-	-	1,875	58,526
Materials and supplies inventory.	5,407	-	-	101,206	106,613
Total assets	<u>\$ 8,342,865</u>	<u>\$ 4,989,816</u>	<u>\$ 4,191,175</u>	<u>\$ 6,279,511</u>	<u>\$ 23,803,367</u>
Liabilities:					
Accounts payable.	\$ 69,390	\$ -	\$ -	\$ 52,108	\$ 121,498
Accrued wages and benefits	24,086	-	-	17,279	41,365
Matured compensated absences payable.	-	-	-	7,887	7,887
Advances from other funds.	-	-	-	625,000	625,000
Intergovernmental payable.	82,704	-	-	248,471	331,175
Deferred revenue.	1,581,785	170,604	-	517,323	2,269,712
Unearned revenue.	3,585,366	1,660,367	-	1,114,025	6,359,758
Total liabilities	<u>5,343,331</u>	<u>1,830,971</u>	<u>-</u>	<u>2,582,093</u>	<u>9,756,395</u>
Fund balances:					
Reserved for encumbrances	34,512	-	-	247,689	282,201
Reserved for advances	-	925,000	-	-	925,000
Unreserved:					
Designated for:					
Budget stabilization	609,109	-	-	-	609,109
Undesignated, reported in:					
General fund	2,355,913	-	-	-	2,355,913
Special revenue funds.	-	-	-	1,504,205	1,504,205
Debt service funds	-	2,233,845	-	19,104	2,252,949
Capital projects funds.	-	-	4,191,175	1,926,420	6,117,595
Total fund balances.	<u>2,999,534</u>	<u>3,158,845</u>	<u>4,191,175</u>	<u>3,697,418</u>	<u>14,046,972</u>
Total liabilities and fund balances	<u>\$ 8,342,865</u>	<u>\$ 4,989,816</u>	<u>\$ 4,191,175</u>	<u>\$ 6,279,511</u>	<u>\$ 23,803,367</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total governmental fund balances		\$ 14,046,972
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,940,973
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Municipal income tax receivable	\$ 996,255	
Property and other local taxes receivable	131,526	
Accounts receivable	16,798	
Accrued interest receivable	47,583	
Special assessments receivable	178,264	
Intergovernmental receivable	899,286	
Total		2,269,712
Two internal service funds are used by management to charge the costs of insurance and workers compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets. The net assets of the internal service funds, including an internal balance of (\$13,703) are:		291,326
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.		127,118
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(33,852)
Vacation benefits payable are not expected to be paid with expendable available resources and therefore are not reported in the funds.		(582,314)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds:		
General obligation bonds	(9,660,000)	
Bond premium	(44,911)	
Compensated absences	(1,302,990)	
Total		(11,007,901)
Net assets of governmental activities		\$ 27,052,034

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, 2009

	General	General Obligation Bond Retirement	Infrastructure Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Municipal income taxes	\$ 4,492,593	\$ -	\$ -	\$ 286,711	\$ 4,779,304
Property and other local taxes	3,767,632	1,744,787	-	1,196,104	6,708,523
Charges for services	198,304	-	-	189,919	388,223
Fines, licenses and permits	394,773	-	-	23,715	418,488
Intergovernmental	2,234,063	272,531	-	1,067,310	3,573,904
Special assessments	15,196	-	-	63,726	78,922
Investment income	121,825	14,257	-	9,444	145,526
Contributions and donations	1,400	-	-	19,432	20,832
Rental income.	26,596	-	-	19,267	45,863
Other	326,551	-	-	56,203	382,754
Total revenues.	<u>11,578,933</u>	<u>2,031,575</u>	<u>-</u>	<u>2,931,831</u>	<u>16,542,339</u>
Expenditures:					
Current:					
General government	3,017,852	-	-	90,034	3,107,886
Security of persons and property.	5,055,726	-	-	1,467,124	6,522,850
Public health and welfare	242,182	-	-	44,487	286,669
Transportation	188,653	-	-	1,168,988	1,357,641
Community environment.	757,108	-	-	10,497	767,605
Basic utility services	1,816,963	-	-	-	1,816,963
Leisure time activity	-	-	-	954,196	954,196
Capital outlay.	-	-	-	863,334	863,334
Debt service:					
Principal retirement	-	1,435,000	-	-	1,435,000
Interest and fiscal charges	-	523,478	-	-	523,478
Total expenditures	<u>11,078,484</u>	<u>1,958,478</u>	<u>-</u>	<u>4,598,660</u>	<u>17,635,622</u>
Excess (deficiency) of revenues over (under) expenditures	500,449	73,097	-	(1,666,829)	(1,093,283)
Other financing sources (uses):					
Sale of capital assets	-	-	-	25,177	25,177
Transfers in	31,882	-	-	1,045,500	1,077,382
Transfers out	<u>(1,045,500)</u>	<u>(59,875)</u>	<u>-</u>	<u>(31,882)</u>	<u>(1,137,257)</u>
Total other financing sources (uses)	<u>(1,013,618)</u>	<u>(59,875)</u>	<u>-</u>	<u>1,038,795</u>	<u>(34,698)</u>
Net change in fund balances	(513,169)	13,222	-	(628,034)	(1,127,981)
Fund balances at beginning of year	<u>3,512,703</u>	<u>3,145,623</u>	<u>4,191,175</u>	<u>4,325,452</u>	<u>15,174,953</u>
Fund balances at end of year	<u>\$ 2,999,534</u>	<u>\$ 3,158,845</u>	<u>\$ 4,191,175</u>	<u>\$ 3,697,418</u>	<u>\$ 14,046,972</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, 2009

Net change in fund balances - total governmental funds		\$ (1,127,981)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital outlay additions	\$ 460,259	
Current year depreciation	(1,137,468)	
Total		(677,209)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	(475,421)	
Property and other local taxes	(7,681)	
Charges for services	(19,552)	
Intergovernmental	(57,853)	
Special assessments	162,731	
Investment income	39,064	
Total		(358,712)
Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities on the statement of net assets.		
		1,435,000
In the statement of activities, interest is accrued on outstanding bonds, bond premium and bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when due and premiums and issuance costs are reported when the bonds are issued.		
Decrease in accrued interest payable	3,982	
Amortization of bond issuance costs	(26,771)	
Amortization of premium on bonds	4,608	
Total		(18,181)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences	(79,444)	
Vacation benefits payable	(7,587)	
Total		(87,031)
The internal service funds used by management to charge the costs of insurance to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The revenue (expense) of the internal service funds, including internal balances of (\$6,504), is allocated among the governmental activities.		
		220,134
Change in net assets of governmental activities		\$ (613,980)

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 4,577,704	\$ 4,570,811	\$ 4,495,924	\$ (74,887)
Property and other local taxes	3,784,767	3,779,067	3,717,152	(61,915)
Charges for services	238,268	242,782	238,804	(3,978)
Fines, licenses and permits	394,975	394,380	387,919	(6,461)
Intergovernmental	2,312,700	2,309,217	2,271,384	(37,833)
Special assessments	-	15,449	15,196	(253)
Investment income	194,636	194,343	191,159	(3,184)
Contributions and donations	-	1,017	1,000	(17)
Rental income	18,124	27,039	26,596	(443)
Other	362,698	331,870	326,433	(5,437)
Total revenues.	<u>11,883,872</u>	<u>11,865,975</u>	<u>11,671,567</u>	<u>(194,408)</u>
Expenditures:				
Current:				
General government	3,192,705	3,249,485	2,983,772	265,713
Security of persons and property.	5,558,624	5,643,894	5,212,271	431,623
Public health and welfare	244,237	245,437	243,006	2,431
Transportation	231,280	231,280	210,239	21,041
Community environment.	781,119	776,864	762,530	14,334
Basic utility services	1,933,685	1,882,915	1,855,333	27,582
Total expenditures	<u>11,941,650</u>	<u>12,029,875</u>	<u>11,267,151</u>	<u>762,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,778)</u>	<u>(163,900)</u>	<u>404,416</u>	<u>568,316</u>
Other financing sources (uses):				
Transfers in.	189,516	182,413	31,882	(150,531)
Transfers out	(680,500)	(690,500)	(1,045,500)	(355,000)
Total other financing sources (uses)	<u>(490,984)</u>	<u>(508,087)</u>	<u>(1,013,618)</u>	<u>(505,531)</u>
Net change in fund balance.	(548,762)	(671,987)	(609,202)	62,785
Fund balance at beginning of year	2,284,087	2,284,087	2,284,087	-
Prior year encumbrances appropriated	50,554	50,554	50,554	-
Fund balance at end of year.	<u>\$ 1,785,879</u>	<u>\$ 1,662,654</u>	<u>\$ 1,725,439</u>	<u>\$ 62,785</u>

CITY OF BAY VILLAGE, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2009

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sewer</u>	<u>Swimming Pool</u>	<u>Total</u>	Activities - Internal Service Funds
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 725,023	\$ 49,840	\$ 774,863	\$ 552,808
Receivables (net of allowance for uncollectibles):				
Accounts	159,729	656	160,385	4,455
Materials and supplies inventory	266	-	266	-
Total current assets	<u>885,018</u>	<u>50,496</u>	<u>935,514</u>	<u>557,263</u>
Noncurrent assets:				
Investment in joint venture	4,892,277	-	4,892,277	-
Capital assets:				
Land and construction in progress	266,935	-	266,935	-
Depreciable capital assets, net	<u>4,883,875</u>	<u>1,934,891</u>	<u>6,818,766</u>	<u>-</u>
Total capital assets	<u>5,150,810</u>	<u>1,934,891</u>	<u>7,085,701</u>	<u>-</u>
Total noncurrent assets	<u>10,043,087</u>	<u>1,934,891</u>	<u>11,977,978</u>	<u>-</u>
Total assets	<u>10,928,105</u>	<u>1,985,387</u>	<u>12,913,492</u>	<u>557,263</u>
Liabilities:				
Current liabilities:				
Accounts payable	967	-	967	3,354
Contracts payable	95,301	-	95,301	-
Accrued wages and benefits	4,017	-	4,017	-
Claims payable	-	-	-	137,791
Intergovernmental payable	6,584	-	6,584	111,089
Advances from other funds	300,000	-	300,000	-
Accrued interest payable	667	-	667	-
Vacation benefit payable	39,280	-	39,280	-
Compensated absences payable	16,816	-	16,816	-
General obligation bonds payable	50,000	-	50,000	-
OPWC loans payable	34,007	-	34,007	-
Total current liabilities	<u>547,639</u>	<u>-</u>	<u>547,639</u>	<u>252,234</u>
Noncurrent liabilities:				
Compensated absences	90,708	-	90,708	-
General obligation bonds payable	150,000	-	150,000	-
OPWC loans payable	<u>340,069</u>	<u>-</u>	<u>340,069</u>	<u>-</u>
Total noncurrent liabilities	<u>580,777</u>	<u>-</u>	<u>580,777</u>	<u>-</u>
Total liabilities	<u>1,128,416</u>	<u>-</u>	<u>1,128,416</u>	<u>252,234</u>
Net assets:				
Invested in capital assets, net of related debt . . .	4,576,734	1,934,891	6,511,625	-
Unrestricted	<u>5,222,955</u>	<u>50,496</u>	<u>5,273,451</u>	<u>305,029</u>
Total net assets	<u>\$ 9,799,689</u>	<u>\$ 1,985,387</u>	11,785,076	<u>\$ 305,029</u>
Adjustment to reflect the consolidation of the internal service funds activity related to enterprise funds			<u>13,703</u>	
Net assets of business-type activities			<u>\$ 11,798,779</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Swimming Pool</u>	<u>Total</u>	
Operating revenues:				
Charges for services	\$ 1,448,095	\$ 318,169	\$ 1,766,264	\$ 1,564,125
Other	853	200	1,053	11,702
Total operating revenues	<u>1,448,948</u>	<u>318,369</u>	<u>1,767,317</u>	<u>1,575,827</u>
Operating expenses:				
Personal services	452,159	184,976	637,135	-
Benefits	176,522	30,586	207,108	-
Contractual services	822,757	55,659	878,416	368,563
Materials and supplies	43,214	67,266	110,480	-
Claims	-	-	-	985,166
Depreciation	177,480	98,041	275,521	-
Other	-	605	605	-
Total operating expenses	<u>1,672,132</u>	<u>437,133</u>	<u>2,109,265</u>	<u>1,353,729</u>
Operating income (loss)	<u>(223,184)</u>	<u>(118,764)</u>	<u>(341,948)</u>	<u>222,098</u>
Nonoperating revenues and (expenses):				
Interest revenue	-	-	-	4,540
Equity in loss of joint venture	(70,366)	-	(70,366)	-
Interest and fiscal charges	(9,719)	-	(9,719)	-
Total nonoperating revenues and (expenses)	<u>(80,085)</u>	<u>-</u>	<u>(80,085)</u>	<u>4,540</u>
Net income (loss) before capital contributions and transfers	<u>(303,269)</u>	<u>(118,764)</u>	<u>(422,033)</u>	<u>226,638</u>
Transfers in	59,875	-	59,875	-
Capital contributions	285,811	-	285,811	-
Changes in net assets	<u>42,417</u>	<u>(118,764)</u>	<u>(76,347)</u>	<u>226,638</u>
Net assets at beginning of year	<u>9,757,272</u>	<u>2,104,151</u>		<u>78,391</u>
Net assets at end of year	<u>\$ 9,799,689</u>	<u>\$ 1,985,387</u>		<u>\$ 305,029</u>
Adjustment to reflect the consolidation of the internal service funds activity related to enterprise funds			<u>6,504</u>	
Change in net assets of business-type activities			<u>\$ (69,843)</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, 2009

	Business-type Activities - Enterprise Funds			Governmental
	Sewer	Swimming Pool	Total	Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from charges for services	\$ 1,428,962	\$ 318,031	\$ 1,746,993	\$ -
Cash received from transactions with other funds	-	-	-	1,564,125
Cash received from other operations	853	200	1,053	7,247
Cash payments to personal services	(446,216)	(184,976)	(631,192)	-
Cash payments for employee services and benefits	(176,522)	(30,586)	(207,108)	-
Cash payments for contractual services	(806,409)	(59,620)	(866,029)	(349,154)
Cash payments to suppliers for materials and supplies	(41,867)	(67,266)	(109,133)	-
Cash payments for claims.	-	-	-	(930,477)
Cash payments from other expenses	-	(605)	(605)	-
Net cash provided by (used in) operating activities	(41,199)	(24,822)	(66,021)	291,741
Cash flows from noncapital financing activities:				
Cash received from interfund activity	300,000	-	300,000	-
Cash received from transfers in	59,875	-	59,875	-
Net cash provided by noncapital financing activities.	359,875	-	359,875	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(164,989)	-	(164,989)	-
Principal paid on general obligation bonds.	(50,000)	-	(50,000)	-
Interest paid on general obligation bonds.	(9,875)	-	(9,875)	-
Principal paid on OPWC loans.	(34,006)	-	(34,006)	-
Net cash used in capital and related financing activities	(258,870)	-	(258,870)	-
Cash flows from investing activities:				
Capital contributed to joint venture.	(98,135)	-	(98,135)	-
Cash received from interest earned on investments.	-	-	-	4,540
Net cash provided by (used in) investing activities	(98,135)	-	(98,135)	4,540
Net increase (decrease) in cash and investments	(38,329)	(24,822)	(63,151)	296,281
Cash and investments at beginning of year	763,352	74,662	838,014	256,527
Cash and investments at end of year.	\$ 725,023	\$ 49,840	\$ 774,863	\$ 552,808

Continued

CITY OF BAY VILLAGE, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Swimming Pool	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (223,184)	\$ (118,764)	\$ (341,948)	\$ 222,098
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation.	177,480	98,041	275,521	-
Changes in assets and liabilities:				
(Increase) in accounts receivable.	(19,133)	(138)	(19,271)	(4,455)
Decrease in materials and supplies inventory	380	-	380	-
Increase (decrease) in accounts payable.	(1,340)	(3,961)	(5,301)	3,354
Increase in contracts payable.	18,655	-	18,655	-
(Decrease) in accrued wages and benefits.	(7,558)	-	(7,558)	-
Increase in vacation benefit payable	1,124	-	1,124	-
Increase in compensated absences payable	13,485	-	13,485	-
Increase (decrease) in intergovernmental payable	(1,108)	-	(1,108)	16,055
Increase in claims payable.	-	-	-	54,689
Net cash provided by (used in) operating activities	<u>\$ (41,199)</u>	<u>\$ (24,822)</u>	<u>\$ (66,021)</u>	<u>\$ 291,741</u>

Non-cash Transactions:

During 2009, the sewer fund purchased \$61,946 in capital assets on account.
During 2009, the sewer fund received \$285,811 in capital contributions from governmental funds.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BAY VILLAGE, OHIO

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments.	\$ 27,801
Receivables:	
Accounts	<u>2,030</u>
Total assets	<u>\$ 29,831</u>
Liabilities:	
Accounts payable	\$ 3,864
Due to other governments	306
Undistributed monies.	<u>25,661</u>
Total liabilities	<u>\$ 29,831</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 - DESCRIPTION OF CITY AND REPORTING ENTITY

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

Reporting Entity

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

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

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

The Rocky River Wastewater Treatment Plant is a joint venture among the Cities of Bay Village, Westlake, Rocky River and Fairview Park. The Rocky River Wastewater Treatment Plant is governed by a management committee consisting of the elected mayors, or their designee, of the four cities and a fifth person nominated and elected by the mayors. The committee has complete authority over all aspects of the plant's operation. The City has an explicit and measurable interest in the Rocky River Wastewater Treatment Plant. There exists a residual interest in the assets upon dissolution of the joint venture. The City also has an ongoing financial responsibility for its share of the joint venture liabilities (See Note 12).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City are presented as of December 31, 2009 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The City also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

The following are the City's major governmental funds:

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

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

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

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose and for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

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

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

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

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

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

E. Cash and 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 a Federal Home Loan Mortgage federal security, a Federal Home Loan Bank federal security, Federal Home Loan Bank Discount Notes, Federal National Mortgage Association securities and non-negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit and repurchase agreements, are reported at cost.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2009 amounted to \$121,825, which includes \$104,126 assigned from other City funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20 - 50 years
Equipment	5 - 20 years
Vehicles	3 - 12 years
Infrastructure	20 - 50 years

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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 fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "advances to/from other funds". At year-end, the City had \$925,000 in advances to/from other funds related to internal borrowings (manuscript bonds). Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves and Designations

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

The City has designated \$609,109 in the general fund for budget stabilization.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$11,588,123 of restricted net assets, none of which are restricted by enabling legislation. Net assets restricted for other purposes primarily include the resources restricted for the operations of the Bay Family Service and for alcohol intervention.

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

N. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. The sewer fund received \$285,811 in capital contributions from governmental funds.

O. Bond Issuance Costs

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

P. Bond Premium

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

Q. Interfund Activity

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

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

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

R. Budgetary Process

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

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

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

S. Operating Revenues and Expenses

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

T. Estimates

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

U. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2009, the City has implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", and GASB Statement No. 57 "Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers".

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

The following funds had deficit fund balances as of December 31, 2009:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Police pension	\$ 78,890
Fire pension	21,365
Equipment replacement	87,265
Public improvements	64,917

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The deficit fund balances in the police pension fund and the fire pension fund resulted from recognition of accrued liabilities. The deficit fund balances in the equipment replacement fund and public improvements fund resulted from reporting long-term interfund fund activity as a fund liability rather than as an other financing source (see Note 16 for details). The general fund is responsible for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Deposits with Financial Institutions

At December 31, 2009, the carrying amount of all City deposits was \$10,154,709 and the bank balance of all City deposits was \$10,433,490. Of the bank balance, \$6,933,490 was exposed to custodial risk as discussed below and \$3,500,000 was covered by the FDIC. Although the securities were held by the pledging institution’s trust department and all statutory requirements for the investment of the money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

B. Investments

Investments are reported at fair value. As of December 31, 2009, the City had the following investments:

Investment type	Fair Value	Investment Maturities		
		6 months or less	7 to 12 months	13 to 18 months
FNMA	\$ 1,759,400	\$ -	\$ -	\$ 1,759,400
FHLB discount notes	499,695	-	499,695	-
FHLMC	998,400	-	998,400	-
FHLB	157,725	-	-	157,725
Total	\$ 3,415,220	\$ -	\$ 1,498,095	\$ 1,917,125

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is 1.00 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 AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FNMA	\$ 1,759,400	51.52
FHLB discount notes	499,695	14.63
FHLMC	998,400	29.23
FHLB	<u>157,725</u>	<u>4.62</u>
 Total	 <u>\$ 3,415,220</u>	 <u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

Cash and investments per note

Carrying amount of deposits	\$ 10,154,709
Investments	<u>3,415,220</u>
Total	<u>\$ 13,569,929</u>

Cash and investments per statement of net assets

Governmental activities	\$ 12,767,265
Business-type activities	774,863
Fiduciary funds	<u>27,801</u>
Total	<u>\$ 13,569,929</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - RECEIVABLES

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and other taxes, special assessments, intergovernmental receivables arising from entitlements and shared revenues, accrued interest on investments and accounts (billings for user charged services and court fines).

An allowance for doubtful accounts has been recorded in the amount of \$23,974 for ambulance billings that are not expected to be collected.

Special assessments expected to be collected in more than one year amount to \$22,764 in the general fund, \$145,429 in the street construction maintenance and repair fund (a nonmajor governmental fund) and \$10,071 in the sidewalks fund (a nonmajor governmental fund).

A. Property Taxes

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bay Village. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - RECEIVABLES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2009 was \$14.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 489,098,470
Other real estate	12,063,280
Tangible personal property	1,254,960
Public utility	<u>5,356,590</u>
Total assessed value	<u>\$ 507,773,300</u>

B. Income Tax

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, ninety-four percent of the annual income tax proceeds were credited to the general fund, two percent to the accrued benefits special revenue fund and four percent to the equipment replacement capital projects fund. In 2008, Council passed an ordinance allocating one-hundred percent to the general fund for one year. In 2009, the amount reverted back to the original allocation.

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

C. Intergovernmental Receivables

A summary of the governmental activities intergovernmental receivables follows:

	<u>Amount</u>
Local government	\$ 282,187
Gasoline tax	165,211
Gasoline excise tax	79,780
Motor vehicle tax	39,930
Permissive tax	8,374
Homestead and rollback	521,944
Estate tax	53,147
FEMA	11,961
Community emergency response team	1,675
Other	<u>989</u>
Total	<u>\$ 1,165,198</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - CAPITAL ASSETS

A. Governmental activities

Governmental activities capital asset activity for the year ended December 31, 2009 follows:

Governmental activities:	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
<i>Capital assets, not being depreciated</i>				
Land	\$ 284,067	\$ -	\$ -	\$ 284,067
Construction in progress	-	172,535	-	172,535
<i>Total capital assets, not being depreciated</i>	<u>284,067</u>	<u>172,535</u>	<u>-</u>	<u>456,602</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,423,187	-	-	2,423,187
Buildings	12,190,171	-	-	12,190,171
Machinery and equipment	2,689,604	204,586	(11,800)	2,882,390
Vehicles	4,543,528	83,138	(248,877)	4,377,789
Infrastructure:				
Roads	15,473,940	-	-	15,473,940
Culverts	143,103	-	-	143,103
Traffic signals	915,500	-	-	915,500
<i>Total capital assets, being depreciated</i>	<u>38,379,033</u>	<u>287,724</u>	<u>(260,677)</u>	<u>38,406,080</u>
Less accumulated depreciation:				
Land improvements	(606,959)	(95,889)	-	(702,848)
Buildings	(2,102,253)	(242,767)	-	(2,345,020)
Machinery and equipment	(1,941,532)	(128,164)	11,800	(2,057,896)
Vehicles	(3,276,382)	(263,000)	248,877	(3,290,505)
Infrastructure:				
Roads	(7,736,016)	(374,498)	-	(8,110,514)
Culverts	(59,328)	(2,633)	-	(61,961)
Traffic signals	(322,448)	(30,517)	-	(352,965)
<i>Total accumulated depreciation</i>	<u>(16,044,918)</u>	<u>(1,137,468)</u>	<u>260,677</u>	<u>(16,921,709)</u>
Total capital assets being depreciated, net	<u>22,334,115</u>	<u>(849,744)</u>	<u>-</u>	<u>21,484,371</u>
Governmental activities capital assets, net	<u>\$ 22,618,182</u>	<u>\$ (677,209)</u>	<u>\$ -</u>	<u>\$ 21,940,973</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 49,272
Security of persons and property	270,631
Public health and welfare	166,617
Transportation	523,919
Basic utility service	9,689
Leisure time activities	106,766
Community environment	<u>10,574</u>
Total depreciation expense	<u>\$ 1,137,468</u>

B. Business-type activities

Business-type activities capital asset activity for the year ended December 31, 2009 follows:

Business-type activities:	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
<i>Capital assets, not being depreciated:</i>				
Land	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	<u>-</u>	<u>226,935</u>	<u>-</u>	<u>226,935</u>
<i>Total capital assets, not being depreciated</i>	<u>40,000</u>	<u>226,935</u>	<u>-</u>	<u>266,935</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	895,722	-	-	895,722
Buildings	1,706,678	-	-	1,706,678
Machinery and equipment	851,246	-	-	851,246
Vehicles	786,689	285,811	-	1,072,500
Infrastructure:				
Sewer lines	<u>7,422,440</u>	<u>-</u>	<u>-</u>	<u>7,422,440</u>
<i>Total capital assets, being depreciated</i>	<u>11,662,775</u>	<u>285,811</u>	<u>-</u>	<u>11,948,586</u>
Less accumulated depreciation:				
Land improvements	(217,121)	(33,602)	-	(250,723)
Buildings	(334,871)	(34,133)	-	(369,004)
Machinery and equipment	(326,321)	(49,472)	-	(375,793)
Vehicles	(580,540)	(31,157)	-	(611,697)
Infrastructure:				
Sewer lines	<u>(3,395,446)</u>	<u>(127,157)</u>	<u>-</u>	<u>(3,522,603)</u>
<i>Total accumulated depreciation</i>	<u>(4,854,299)</u>	<u>(275,521)</u>	<u>-</u>	<u>(5,129,820)</u>
Total capital assets, being depreciated, net	<u>6,808,476</u>	<u>10,290</u>	<u>-</u>	<u>6,818,766</u>
Business-type activities capital assets, net	<u>\$ 6,848,476</u>	<u>\$ 237,225</u>	<u>\$ -</u>	<u>\$ 7,085,701</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Sewer	\$ 177,480
Swimming pool	<u>98,041</u>
Total depreciation expense	<u>\$ 275,521</u>

NOTE 7 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, 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	\$ 28,885,249
Inland Marine (Contractors & Miscellaneous Equipment)	2,139,789
EDP (Computers)	208,233
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

Through 2001, the City participated in the Ohio Bureau of Workers' Compensation (BWC) retrospective rating and payment system. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for injured employees. The maintenance of these benefits is accounted for in the Workers' Compensation internal service fund. There was no claims liability at December 31, 2009.

Beginning in 2002, the City joined Compensation Management which is a third party administrator for claims administration and group rating services. The City used compensation management through 2008 and has no further obligation with them. In 2009, the City changed to Integrated Consulting Services. The City pays an annual membership fee to Integrated Consulting Services which, for 2009, was \$8,000. In addition, the City makes premium payments to the BWC which are based on the City's group rating as determined by Compensation Management. The rating is based on the claims experience of the prior year. For 2009, the City's discount rate was fifty-six percent. The BWC premium for 2009 was \$211,187 which covered incurred claims.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 7 - RISK MANAGEMENT - (Continued)

C. Employee Health Care Benefits

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

The claims liability of \$137,791 reported in the fund at December 31, 2009, 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 2008 and 2009 were:

		Balance at Beginning of Year		Current Year Claims		Claim Payments		Balance at End of Year
2009	\$	83,102	\$	985,166	\$	(930,477)	\$	137,791
2008		94,369		991,501		(1,002,768)		83,102

NOTE 8 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$365,276, \$298,971 and \$383,273, respectively; 91.21% has been contributed for 2009 and 100% has been contributed for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$1,463 made by the City and \$1,045 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$210,112 and \$334,682 for the year ended December 31, 2009, \$213,528 and \$317,749 for the year ended December 31, 2008 and \$199,211 and \$286,086 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 69.97% has been contributed for police and 70.16% has been contributed for firefighters for 2009.

NOTE 9 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but not does 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 writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 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 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

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, 2009, 2008 and 2007 were \$261,138, \$298,971 and \$254,124, respectively; 91.21% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

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

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$111,236 and \$130,962 for the year ended December 31, 2009, \$113,044 and \$124,336 for the year ended December 31, 2008 and \$131,155 and \$147,508 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 69.97% has been contributed for police and 70.16% has been contributed for firefighters for 2009.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 respectively, provided the employee has at least 15 years of service. All other employees are paid 25 percent of accumulated but unused sick leave after 10 years, 40 percent after 15 years and 50 percent after 20 years.

NOTE 11 - LONG TERM OBLIGATIONS

A. Governmental activities

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

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
Governmental activities:				
General obligation bonds:				
Recreation facilities-community gym	2002	2017	4.13%	\$ 1,100,000
Recreation facilities-aquatics facility	2002	2022	4.23%	2,600,000
Street improvements	2003	2010	2.70%	700,000
Police station improvements	2003	2028	4.40%	5,000,000
Street improvements	2004	2011	2.05-3.40%	700,000
Police station improvements	2004	2010	2.05-3.40%	300,000
Street improvements	2005	2012	3.39%	700,000
Various purpose	2005	2010	3.50%	250,000
Street improvements	2006	2013	3.90-4.00%	700,000
Various purpose	2006	2011	3.90-4.00%	500,000
Street improvements	2007	2014	4.00%	700,000
Various purpose	2007	2014	4.00%	600,000
Street improvements	2008	2014	3.09%	600,000
Various purpose	2008	2014	3.09%	525,000

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

Changes in governmental activities long-term obligations of the City during 2009 were as follows:

	Balance			Balance	Due
	<u>12/31/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2009</u>	<u>Within</u>
Governmental activities:					<u>One Year</u>
<i>General obligation bonds:</i>					
Recreation Facilities - community gym	\$ 650,000	\$ -	\$ (75,000)	\$ 575,000	\$ 75,000
Recreation Facilities - aquatics facility	1,820,000	-	(130,000)	1,690,000	130,000
Street Improvements	200,000	-	(100,000)	100,000	100,000
Police Station Improvements	4,500,000	-	(225,000)	4,275,000	225,000
Street Improvements	300,000	-	(100,000)	200,000	100,000
Police station improvements	100,000	-	(50,000)	50,000	50,000
Street improvements	400,000	-	(100,000)	300,000	100,000
Various purpose	100,000	-	(50,000)	50,000	50,000
Street improvements	500,000	-	(100,000)	400,000	100,000
Various purpose	300,000	-	(100,000)	200,000	100,000
Street improvements	600,000	-	(100,000)	500,000	100,000
Various purpose	500,000	-	(100,000)	400,000	100,000
Street improvements	600,000	-	(100,000)	500,000	100,000
Various purpose	<u>525,000</u>	<u>-</u>	<u>(105,000)</u>	<u>420,000</u>	<u>105,000</u>
<i>Total general obligation bonds</i>	<u>11,095,000</u>	<u>-</u>	<u>(1,435,000)</u>	<u>9,660,000</u>	<u>1,435,000</u>
<i>Long-term obligations:</i>					
Matured compensated absences	-	4,038	-	4,038	4,038
Compensated absences	<u>1,223,546</u>	<u>158,031</u>	<u>(78,587)</u>	<u>1,302,990</u>	<u>557,629</u>
<i>Total governmental activities</i>	<u>12,318,546</u>	<u>162,069</u>	<u>(1,513,587)</u>	<u>10,967,028</u>	<u>1,996,667</u>
Add: unamortized premium	<u>49,519</u>	<u>-</u>	<u>(4,608)</u>	<u>44,911</u>	<u>-</u>
Total on statement of net assets	<u>\$ 12,368,065</u>	<u>\$ 162,069</u>	<u>\$ (1,518,195)</u>	<u>\$ 11,011,939</u>	<u>\$ 1,996,667</u>

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire governmental activities long-term general obligation bonds outstanding at December 31, 2009 are as follows:

Year Ending December 31,	General Obligation Bonds		
	Principal	Interest	Total
2010	\$ 1,435,000	\$ 402,218	\$ 1,837,218
2011	1,235,000	348,578	1,583,578
2012	1,035,000	301,828	1,336,828
2013	935,000	262,273	1,197,273
2014	630,000	225,539	855,539
2015 - 2019	1,975,000	821,430	2,796,430
2020 - 2024	1,515,000	408,602	1,923,602
2025 - 2028	900,000	107,606	1,007,606
Total	<u>\$ 9,660,000</u>	<u>\$ 2,878,074</u>	<u>\$ 12,538,074</u>

B. Business-type activities

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

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

Changes in business-type activities long-term obligations of the City during 2009 were as follows:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2009</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-type activities:					
<i>General obligation bonds:</i>					
Sewer Improvements	\$ 250,000	\$ -	\$ (50,000)	\$ 200,000	\$ 50,000
<i>OPWC loan:</i>					
Ohio Public Works Commission loan	408,082	-	(34,006)	374,076	34,007
Compensated absences	<u>94,039</u>	<u>13,485</u>	<u>-</u>	<u>107,524</u>	<u>16,816</u>
<i>Total Business-type activities</i>	<u>\$ 752,121</u>	<u>\$ 13,485</u>	<u>\$ (84,006)</u>	<u>\$ 681,600</u>	<u>\$ 100,823</u>

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

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

Principal and interest requirements to retire business-type activities long-term obligations outstanding at December 31, 2009 are as follows:

Year Ending <u>December 31,</u>	<u>Business Type Activities</u>				
	<u>General</u>		<u>OPWC</u>	<u>Total</u>	
	<u>Obligation Bonds</u>			<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 50,000	\$ 8,000	\$ 34,007	\$ 84,007	\$ 8,000
2011	50,000	6,000	34,007	84,007	6,000
2012	50,000	4,000	34,007	84,007	4,000
2013	50,000	2,000	34,007	84,007	2,000
2014	-	-	34,006	34,006	-
2015 - 2019	-	-	170,035	170,035	-
2020	-	-	34,007	34,007	-
Total	<u>\$ 200,000</u>	<u>\$ 20,000</u>	<u>\$ 374,076</u>	<u>\$ 574,076</u>	<u>\$ 20,000</u>

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2009, the City's total debt margin was \$46,167,133 and the unvoted debt margin was \$27,578,144.

NOTE 12 - JOINT VENTURE

Rocky River Wastewater Treatment Plant

The Rocky River Wastewater Treatment Plant (the "Plant") is a joint venture among the cities of Fairview Park, Bay Village, Rocky River and Westlake. The Plant is governed by a Management Committee consisting of the elected mayors of the four member cities and a fifth person nominated and elected by the mayors. The Management Committee has complete authority over all aspects of the Plant's operation. The Plant supplies all participating residents of the member cities with sewer services. Each city owns the sewer lines located in its city and bills its residents for usage. Continued existence of the Plant is dependent on the City's continued participation, and the City does have an equity interest in the Plant. The City's equity interest is \$4,892,277 which represents 15.43 percent of the total equity in the Plant. The Plant is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. Complete financial statements can be obtained from the City of Rocky River, 21012 Hilliard Boulevard, Rocky River, Ohio 44116.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

A. West Shore Council of Governments

The West Shore Council of Governments helps foster cooperation between municipalities in areas effecting health, safety, welfare, education, economic conditions and regional development. The Board is comprised of one member from each of the sixteen participating entities. The Board exercises control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the Board. Each city's degree of control is limited to its representation on the Board. In 2009, the City contributed \$35,290 which represents 10 percent of total contributions. Complete financial information statements can be obtained from the City of Bay Village, 350 Dover Center Road, Bay Village, Ohio 44140.

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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

The S.A.F.E. Council of Governments was formed between municipalities to oppose changes to Cleveland Hopkins International Airport's traffic pattern. The Cities of Rocky River, Bay Village, Fairview Park, and Westlake govern by a Board consisting of the elected mayors. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The City did not make any contributions to S.A.F.E. in 2009. 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 2009, the City contributed \$300 which represented 10 percent of total contributions.

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 15 - COMMUNITY GYMNASIUM JOINT OPERATING AGREEMENT

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

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.

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

NOTE 16 - ADVANCES TO/FROM OTHER FUNDS

Long-term advances to/from other funds at December 31, 2009 as reported on the fund statements, consisted of the following:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General obligation bond retirement fund	Nonmajor governmental funds	\$ 625,000
General obligation bond retirement fund	Water fund	<u>300,000</u>
Total advances to/from other funds		<u>\$ 925,000</u>

Advances to/from other funds are for manuscript debt issued by the City in accordance with Ohio Revised Code Section 133.29. These advances will be repaid on December 1 each year with the final maturity date of December 1, 2016. Interest rates range from 1.00-2.90%.

Principal and interest requirements to retire the long-term advances outstanding at December 31, 2009 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 100,000	\$ 24,922	\$ 124,922
2011	100,000	18,420	118,420
2012	100,000	17,120	117,120
2013	125,000	15,420	140,420
2014	150,000	13,045	163,045
2015 - 2016	<u>350,000</u>	<u>14,700</u>	<u>364,700</u>
Total	<u>\$ 925,000</u>	<u>\$ 103,627</u>	<u>\$ 1,028,627</u>

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

CITY OF BAY VILLAGE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 - INTERFUND TRANSFERS

Transfers are primarily from the general fund to various funds within the City. The transfers from the general fund were to help finance the various programs accounted for in other funds. The transfer from the general obligation bond retirement fund to the sewer fund was made for the payment of debt. The transfers from the community development block grant fund (a nonmajor governmental fund) to the general fund were for a residual equity transfer.

Transfers made during the year ended December 31, 2009 were as follows:

<u>Transfer To</u>	<u>Transfer From</u>			
	<u>Governmental Activities</u>			
	<u>General</u>	<u>General Obligation Bond Retirement</u>	<u>Nonmajor Governmental Fund</u>	<u>Totals</u>
General	\$ -	\$ -	\$ 31,882	\$ 31,882
<u>Governmental activities</u>				
Parks & recreation	372,500	-	-	372,500
Youth activities	40,000	-	-	40,000
Bay family services	36,000	-	-	36,000
SCMR	200,000	-	-	200,000
Police pension	160,000	-	-	160,000
Fire pension	195,000	-	-	195,000
Cahoon Park	30,000	-	-	30,000
Cahoon Memorial Park	2,000	-	-	2,000
Cahoon Library	10,000	-	-	10,000
<i>Total governmental activities</i>	<u>\$ 1,045,500</u>	<u>\$ -</u>	<u>\$ 31,882</u>	<u>\$ 1,077,382</u>
<u>Business-Type Activities</u>				
Sewer	\$ -	\$ 59,875	\$ -	\$ 59,875
Total	<u>\$ 1,045,500</u>	<u>\$ 59,875</u>	<u>\$ 31,882</u>	<u>\$ 1,137,257</u>

Transfers between governmental funds are eliminated for reporting on the statement of activities. Net transfers between governmental activities and business-type activities are reported on the statement of activities. All transfers made in 2009 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

CITY OF BAY VILLAGE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis); and,
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	
Budget basis	\$ (609,202)
Net adjustment for revenue accruals	(72,405)
Fair value adjustment for investments	(20,229)
Net adjustment for expenditure accruals	131,266
Encumbrances	<u>57,401</u>
GAAP basis	<u>\$ (513,169)</u>

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

Members of the City Council
Bay Village, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bay Village, Ohio (the “City”) as of and for the year ended December 31, 2009, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 11, 2010, wherein we noted the City adopted *GASB Statement Nos. 52, 55, 56 and 57*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Members of the City Council
Bay Village, Ohio

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City, in a separate letter dated June 11, 2010.

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

Cini & Paricki, Inc.

Cleveland, Ohio
June 11, 2010



Mary Taylor, CPA
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
JUNE 29, 2010**