



**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Bay Village City School District
Cuyahoga County
377 Dover Center Road
Bay Village, Ohio 44140

We have audited the accompanying general-purpose financial statements of the Bay Village City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bay Village City School District, Cuyahoga County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and similar trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

April 10, 2002

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**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,209,950	\$328,230	\$838,445	\$20,296,877
Receivables:				
Taxes	15,085,600	-	1,837,009	-
Accounts	32,008	-	-	-
Intergovernmental	-	46,745	-	-
Accrued Interest	-	-	-	-
Interfund Receivable	2,000	-	-	-
Materials and Supplies Inventory	22,574	-	-	-
Prepaid Items	16,574	-	-	-
Restricted Assets:				
Cash and Cash Equivalents	467,033	-	-	-
Fixed Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
Other Debits:				
Amount in Debt Service Fund for Retirement of General Long-term Obligations	-	-	-	-
Provided from General Government Resources	-	-	-	-
Total Assets and Other Debits	<u>\$19,835,739</u>	<u>\$374,975</u>	<u>\$2,675,454</u>	<u>\$20,296,877</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$157,129	\$32,560	\$0	\$110,123
Accrued Wages and Benefits	1,683,690	28,766	-	-
Compensated Absences Payable	51,843	-	-	-
Interfund Payable	-	-	-	-
Intergovernmental Payable	360,514	4,243	-	-
Deferred Revenue	13,821,531	-	1,715,807	-
Undistributed Monies	-	-	-	-
Due to Students	-	-	-	-
Notes Payable	-	-	-	-
Capital Leases Payable	-	-	-	-
Asbestos Removal Loan Payable	-	-	-	-
Energy Conservation Loan Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	<u>16,074,707</u>	<u>65,569</u>	<u>1,715,807</u>	<u>110,123</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Encumbrances	179,183	32,661	-	1,987,765
Reserved for Inventory	22,574	-	-	-
Reserved for Prepaid Items	16,574	-	-	-
Reserved for Debt Service Principal	-	-	838,445	-
Reserved for Advances	2,000	-	-	-
Reserved for Endowments	-	-	-	-
Reserved for Property Taxes	1,264,069	-	121,202	-
Reserved for Textbooks and Instr. Materials	362,783	-	-	-
Reserved for Budget Stabilization	104,250	-	-	-
Unreserved, Undesignated	1,809,599	276,745	-	18,198,989
Total Fund Equity and Other Credits	<u>3,761,032</u>	<u>309,406</u>	<u>959,647</u>	<u>20,186,754</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$19,835,739</u>	<u>\$374,975</u>	<u>\$2,675,454</u>	<u>\$20,296,877</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Asset	General Long-Term Obligations	
\$199,369	\$22,913	\$64,008	\$0	\$0	\$25,959,792
-	-	-	-	-	16,922,609
14,878	-	-	-	-	46,886
-	-	-	-	-	46,745
-	-	580	-	-	580
-	-	-	-	-	2,000
49,090	-	-	-	-	71,664
-	-	-	-	-	16,574
-	-	27,025	-	-	494,058
353,450	-	-	18,821,104	-	19,174,554
(267,542)	-	-	-	-	(267,542)
-	-	-	-	959,647	959,647
-	-	-	-	23,599,474	23,599,474
<u>\$349,245</u>	<u>\$22,913</u>	<u>\$91,613</u>	<u>\$18,821,104</u>	<u>\$24,559,121</u>	<u>\$87,027,041</u>
\$14,647	\$3,084	\$1,740	\$0	\$0	\$319,283
36,223	-	-	-	-	1,748,679
43,710	-	-	-	1,576,999	1,672,552
-	2,000	-	-	-	2,000
63,994	-	-	-	174,338	603,089
13,544	-	-	-	-	15,550,882
-	-	3,677	-	-	3,677
-	-	45,278	-	-	45,278
-	-	-	-	72,670	72,670
-	-	-	-	5,124	5,124
-	-	-	-	120,000	120,000
-	-	-	-	210,000	210,000
-	-	-	-	22,399,990	22,399,990
<u>172,118</u>	<u>5,084</u>	<u>50,695</u>	<u>-</u>	<u>24,559,121</u>	<u>42,753,224</u>
-	-	-	18,821,104	-	18,821,104
177,127	17,829	-	-	-	194,956
-	-	-	-	-	2,199,609
-	-	-	-	-	22,574
-	-	-	-	-	16,574
-	-	-	-	-	838,445
-	-	-	-	-	2,000
-	-	27,025	-	-	27,025
-	-	-	-	-	1,385,271
-	-	-	-	-	362,783
-	-	-	-	-	104,250
-	-	13,893	-	-	20,299,226
<u>177,127</u>	<u>17,829</u>	<u>40,918</u>	<u>18,821,104</u>	<u>-</u>	<u>44,273,817</u>
<u>\$349,245</u>	<u>\$22,913</u>	<u>\$91,613</u>	<u>\$18,821,104</u>	<u>\$24,559,121</u>	<u>\$87,027,041</u>

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$5,597,797	\$966,550
Interest	445,470	6,783
Tuition and Fees	38,438	-
Rent	102,211	-
Extracurricular Activities	-	160,559
Gifts and Donations	6,376	6,470
Customer Services	35,581	-
Property & Other Local Taxes	13,232,666	-
Miscellaneous	89,729	99,292
Total Revenues	19,548,268	1,239,654
Expenditures:		
Instruction:		
Regular	8,713,355	70,281
Special	1,111,643	124,063
Vocational	328,814	6,542
Other	896,585	-
Support services:		
Pupils	1,439,991	162,884
Instructional Staff	876,074	137,665
Board of Education	20,310	-
Administration	1,679,657	62,709
Fiscal	504,283	-
Business	264,235	-
Operation and Maintenance of Plant	2,133,739	2,561
Pupil Transportation	593,800	-
Central	235,664	150
Non-Instructional Services	31,197	469,969
Extracurricular activities	550,367	188,186
Capital Outlay	403,411	-
Debt Service:		
Debt Service - Principal	78,875	-
Debt Service - Interest	8,162	-
Total Expenditures	19,870,162	1,225,010
Excess of Revenues Over (Under) Expenditures	(321,894)	14,644
Other Financing Sources and Uses		
Operating Transfers In	2,452	17,586
Proceeds from Sale of Bonds	-	-
Proceeds from Sale of Long-Term Notes	-	-
Proceeds from Sale of Fixed Assets	961	-
Other Financing Sources	-	975
Operating Transfers Out	(23,151)	(38,375)
Total Other Financing Sources (Uses)	(19,738)	(19,814)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(341,632)	(5,170)
Fund Balance at Beginning of Year	4,102,664	314,576
Fund Balance at End of Year	\$3,761,032	\$309,406

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$146,570	\$31,422	\$0	\$6,742,339
74,983	655,796	-	1,183,032
-	-	-	38,438
-	-	-	102,211
-	-	-	160,559
-	-	5,185	18,031
-	-	-	35,581
1,149,344	-	-	14,382,010
-	-	-	189,021
<u>1,370,897</u>	<u>687,218</u>	<u>5,185</u>	<u>22,851,222</u>
-	-	-	8,783,636
-	-	-	1,235,706
-	-	-	335,356
-	-	-	896,585
-	-	-	1,602,875
-	-	764	1,014,503
-	-	-	20,310
-	-	-	1,742,366
278	-	-	504,561
-	-	-	264,235
-	-	-	2,136,300
-	-	-	593,800
-	-	-	235,814
-	-	-	501,166
-	-	4,254	742,807
-	501,464	622	905,497
20,385,000	-	-	20,463,875
446,992	-	-	455,154
<u>20,832,270</u>	<u>501,464</u>	<u>5,640</u>	<u>42,434,546</u>
<u>(19,461,373)</u>	<u>185,754</u>	<u>(455)</u>	<u>(19,583,324)</u>
20,005,565	-	-	20,025,603
-	20,000,000	-	20,000,000
132	20,000,000	-	20,000,132
-	-	-	961
-	-	-	975
-	(20,000,000)	-	(20,061,526)
<u>20,005,697</u>	<u>20,000,000</u>	<u>-</u>	<u>39,966,145</u>
544,324	20,185,754	(455)	20,382,821
415,323	1,000	2,669	4,836,232
<u>\$959,647</u>	<u>\$20,186,754</u>	<u>\$2,214</u>	<u>\$25,219,053</u>

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$5,356,028	\$5,600,546	\$244,518
Interest	365,000	445,470	80,470
Tuition and Fees	68,000	36,820	(31,180)
Rent	110,000	113,711	3,711
Extracurricular Activities	-	-	-
Gifts and Donations	-	5,315	5,315
Customer Services	40,000	35,581	(4,419)
Property & Other Local Taxes	13,721,092	13,799,331	78,239
Miscellaneous	30,000	86,001	56,001
Total Revenues	19,690,120	20,122,775	432,655
Expenditures:			
Current:			
Instruction:			
Regular	8,925,552	8,731,825	193,727
Special	1,125,926	1,104,245	21,681
Vocational	352,773	326,895	25,878
Other	907,157	906,723	434
Support services:			
Pupils	1,487,580	1,437,309	50,271
Instructional Staff	887,155	883,201	3,954
Board of Education	24,330	20,172	4,158
Administration	1,716,958	1,703,684	13,274
Fiscal	518,324	502,273	16,051
Business	269,871	268,376	1,495
Operation and Maintenance of Plant	2,250,559	2,179,849	70,710
Pupil Transportation	721,473	666,186	55,287
Central	249,132	229,569	19,563
Non-Instructional Services	29,100	22,404	6,696
Extracurricular activities	564,648	552,002	12,646
Capital Outlay	580,766	418,636	162,130
Debt Service			
Debt Service - Principal	121,800	78,875	42,925
Debt Service - Interest	30,000	8,162	21,838
Total Expenditures	20,763,104	20,040,386	722,718
Excess of Revenues Over (Under) Expenditures	(1,072,984)	82,389	1,155,373
Other Financing Sources and Uses			
Operating Transfers In	5,000	2,452	(2,548)
Proceeds from Sale of Bonds	-	-	-
Proceeds from Sale of Long-Term Notes	-	-	-
Proceeds from Sale of Fixed Assets	8,000	961	(7,039)
Other Financing Sources	-	-	-
Operating Transfers Out	(23,200)	(23,151)	49
Total Other Financing Sources (Uses)	(10,200)	(19,738)	(9,538)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,083,184)	62,651	1,145,835
Fund Balances at Beginning of Year	4,022,985	4,022,985	-
Prior Year Encumbrances Appropriated	318,264	318,264	-
Fund Balance at end of Year	\$3,258,065	\$4,403,900	\$1,145,835

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$973,253	\$919,805	(\$53,448)	\$53,455	\$146,570	\$93,115
6,000	6,783	783	-	74,983	74,983
-	-	-	-	-	-
-	-	-	-	-	-
174,000	160,559	(13,441)	-	-	-
12,000	6,470	(5,530)	-	-	-
-	-	-	-	-	-
-	-	-	1,180,735	1,086,716	(94,019)
136,000	99,293	(36,707)	-	-	-
<u>1,301,253</u>	<u>1,192,910</u>	<u>(108,343)</u>	<u>1,234,190</u>	<u>1,308,269</u>	<u>74,079</u>
91,505	70,531	20,974	-	-	-
166,623	129,806	36,817	-	-	-
29,219	7,646	21,573	-	-	-
-	-	-	-	-	-
171,068	163,313	7,755	-	-	-
197,756	158,460	39,296	-	-	-
-	-	-	-	-	-
138,735	63,050	75,685	-	-	-
-	-	-	6,000	685	5,315
-	-	-	-	-	-
2,561	2,561	-	-	-	-
-	-	-	-	-	-
200	150	50	-	-	-
514,001	478,181	35,820	-	-	-
228,630	201,720	26,910	-	-	-
38,839	-	38,839	-	-	-
-	-	-	20,385,000	20,385,000	-
-	-	-	446,992	446,992	-
<u>1,579,137</u>	<u>1,275,418</u>	<u>303,719</u>	<u>20,837,992</u>	<u>20,832,677</u>	<u>5,315</u>
<u>(277,884)</u>	<u>(82,508)</u>	<u>195,376</u>	<u>(19,603,802)</u>	<u>(19,524,408)</u>	<u>79,394</u>
-	17,586	17,586	20,079,775	20,005,565	(74,210)
-	-	-	-	-	-
-	-	-	-	132	132
-	-	-	-	-	-
1,000	975	(25)	-	-	-
<u>(38,375)</u>	<u>(38,375)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(37,375)</u>	<u>(19,814)</u>	<u>17,561</u>	<u>20,079,775</u>	<u>20,005,697</u>	<u>(74,078)</u>
(315,259)	(102,322)	212,937	475,973	481,289	5,316
332,923	332,923	-	357,156	357,156	-
38,283	38,283	-	-	-	-
<u>\$55,947</u>	<u>\$268,884</u>	<u>\$212,937</u>	<u>\$833,129</u>	<u>\$838,445</u>	<u>\$5,316</u>

(Continued)

BAY VILLAGE CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001
 (Continued)

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$74,000	\$31,422	(\$42,578)
Interest	400,000	655,796	255,796
Tuition and Fees	-	-	-
Rent	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	-	-	-
Customer Services	-	-	-
Property & Other Local Taxes	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>474,000</u>	<u>687,218</u>	<u>213,218</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	-	-
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
Support services:			
Pupils	-	-	-
Instructional Staff	-	-	-
Board of Education	-	-	-
Administration	-	-	-
Fiscal	-	-	-
Business	-	-	-
Operation and Maintenance of Plant	-	-	-
Pupil Transportation	-	-	-
Central	-	-	-
Non-Instructional Services	-	-	-
Extracurricular activities	-	-	-
Capital Outlay	2,751,000	2,474,230	276,770
Debt Service			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	<u>2,751,000</u>	<u>2,474,230</u>	<u>276,770</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,277,000)</u>	<u>(1,787,012)</u>	<u>489,988</u>
Other Financing Sources and Uses			
Operating Transfers In	-	-	-
Proceeds from Sale of Bonds	20,186,164	20,000,000	(186,164)
Proceeds from Sale of Long-Term Notes	20,000,000	20,000,000	-
Proceeds from Sale of Fixed Assets	-	-	-
Other Financing Sources	-	-	-
Operating Transfers Out	(20,000,000)	(20,000,000)	-
Total Other Financing Sources (Uses)	<u>20,186,164</u>	<u>20,000,000</u>	<u>(186,164)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	17,909,164	18,212,988	303,824
Fund Balances at Beginning of Year	1,000	1,000	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance at end of Year	<u>\$17,910,164</u>	<u>\$18,213,988</u>	<u>\$303,824</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Type Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$6,456,736	\$6,698,343	\$241,607
-	-	-	771,000	1,183,032	412,032
-	-	-	68,000	36,820	(31,180)
-	-	-	110,000	113,711	3,711
-	-	-	174,000	160,559	(13,441)
\$10,000	\$5,185	(4,815)	22,000	16,970	(5,030)
-	-	-	40,000	35,581	(4,419)
-	-	-	14,901,827	14,886,047	(15,780)
-	-	-	166,000	185,294	19,294
10,000	5,185	(4,815)	22,709,563	23,316,357	606,794
-	-	-	9,017,057	8,802,356	214,701
-	-	-	1,292,549	1,234,051	58,498
-	-	-	381,992	334,541	47,451
-	-	-	907,157	906,723	434
-	-	-	1,658,648	1,600,622	58,026
1,000	764	236	1,085,911	1,042,425	43,486
-	-	-	24,330	20,172	4,158
-	-	-	1,855,693	1,766,734	88,959
-	-	-	524,324	502,958	21,366
-	-	-	269,871	268,376	1,495
-	-	-	2,253,120	2,182,410	70,710
-	-	-	721,473	666,186	55,287
-	-	-	249,332	229,719	19,613
-	-	-	543,101	500,585	42,516
7,200	4,254	2,946	800,478	757,976	42,502
959	622	337	3,371,564	2,893,488	478,076
-	-	-	20,506,800	20,463,875	42,925
-	-	-	476,992	455,154	21,838
9,159	5,640	3,519	45,940,392	44,628,351	1,312,041
841	(455)	(1,296)	(23,230,829)	(21,311,994)	1,918,835
-	-	-	20,084,775	20,025,603	(59,172)
-	-	-	20,186,164	20,000,000	(186,164)
-	-	-	20,000,000	20,000,132	132
-	-	-	8,000	961	(7,039)
-	-	-	1,000	975	(25)
-	-	-	(20,061,575)	(20,061,526)	49
-	-	-	40,218,364	39,966,145	(252,219)
841	(455)	(1,296)	16,987,535	18,654,151	1,666,616
2,669	2,669	-	4,716,733	4,716,733	-
-	-	-	356,547	356,547	-
\$3,510	\$2,214	(\$1,296)	\$22,060,815	\$23,727,431	\$1,666,616

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/ FUND BALANCE
PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Services</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:				
Tuition	\$548,828	\$6,780	\$0	\$555,608
Sales	644,956	-	-	644,956
Interest	-	-	5,804	5,804
Other Revenues	5,671	111,839	-	117,510
Contributions and Donations	-	-	3,796	3,796
Total Operating Revenues	<u>1,199,455</u>	<u>118,619</u>	<u>9,600</u>	<u>1,327,674</u>
Operating Expenses				
Salaries	578,138	5,033	-	583,171
Fringe Benefits	155,049	160	-	155,209
Purchased Services	68,923	81,187	-	150,110
Materials and Supplies	499,996	28,589	-	528,585
Depreciation	13,732	-	-	13,732
Other	2,154	-	2,724	4,878
Total Operating Expenses	<u>1,317,992</u>	<u>114,969</u>	<u>2,724</u>	<u>1,435,685</u>
Operating Income (Loss)	(118,537)	3,650	6,876	(108,011)
Non-Operating Revenues and Expenses				
Federal Donated Commodities	42,518	-	-	42,518
Interest	4,240	-	-	4,240
Federal and State Subsidies	48,161	1,500	-	49,661
Other	662	(185)	-	477
Total Non-Operating Revenues and Expenses	<u>95,581</u>	<u>1,315</u>	<u>-</u>	<u>96,896</u>
Income (Loss) Before Operating Transfers	(22,956)	4,965	6,876	(11,115)
Operating Transfers-In	38,375	-	-	38,375
Net Income (Loss)	15,419	4,965	6,876	27,260
Retained Earnings/Fund Balances at Beginning of Year	161,708	12,864	31,828	206,400
Retained Earnings/Fund Balances at End of Year	<u>\$177,127</u>	<u>\$17,829</u>	<u>\$38,704</u>	<u>\$233,660</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash Flows from Operating Activities:				
Cash Received from Sales	\$644,201	\$0	\$0	\$644,201
Cash Received from Tuition	545,196	6,780	-	551,976
Other Cash Receipts	5,671	111,839	3,796	121,306
Cash Payments to Suppliers for Goods and Service	(460,008)	(29,582)	-	(489,590)
Cash Payments for Contract Services	(68,923)	(78,103)	-	(147,026)
Cash Payments for Employee Services	(579,197)	(5,033)	-	(584,230)
Cash Payments for Employee Benefits	(144,209)	(258)	-	(144,467)
Other Cash Payments	(2,154)	-	(2,724)	(4,878)
Net Cash Provided (Used) by Operating Activities	<u>(59,423)</u>	<u>5,643</u>	<u>1,072</u>	<u>(52,708)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	47,644	1,500	-	49,144
Transfers In	38,375	-	-	38,375
Other	662	(185)	-	477
Net Cash Provided (Used) by Noncapital Financing Activities	<u>86,681</u>	<u>1,315</u>	<u>-</u>	<u>87,996</u>
Cash Flows from Investing Activities:				
Interest Received	4,240	-	5,224	9,464
Net Cash Provided (Used) by Investing Activities	<u>4,240</u>	<u>-</u>	<u>5,224</u>	<u>9,464</u>
Cash Flows from Capital and Related Financing Activities:				
Payments for Capital Acquisitions	(3,374)	-	-	(3,374)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,374)</u>	<u>-</u>	<u>-</u>	<u>(3,374)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	28,124	6,958	6,296	41,378
Cash and Cash Equivalents at Beginning of Year	171,245	15,955	31,828	219,028
Cash and Cash Equivalents at End of Year	<u>\$199,369</u>	<u>\$22,913</u>	<u>\$38,124</u>	<u>\$260,406</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(\$118,537)	\$3,650	\$6,876	(\$108,011)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Depreciation	13,732	-	-	13,732
Donated Commodities Used During the Year	42,518	-	-	42,518
Adjustments to Capital Outlay	(11,521)	-	-	(11,521)
Nonexpendable Trust Interest	-	-	(5,224)	(5,224)
(Increase) Decrease in Assets:				
Accounts Receivable	(3,509)	-	-	(3,509)
Accrued Interest	-	-	(580)	(580)
Material and Supplies Inventory	(2,170)	-	-	(2,170)
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	161	-	-	161
Intergovernmental Payable	9,714	(98)	-	9,616
Deferred Revenue	(610)	-	-	(610)
Accrued Wages and Benefits	(94)	-	-	(94)
Accounts Payable	10,893	2,091	-	12,984
Total Adjustments	<u>59,114</u>	<u>1,993</u>	<u>(5,804)</u>	<u>55,303</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$59,423)</u>	<u>\$5,643</u>	<u>\$1,072</u>	<u>(\$52,708)</u>
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:				
Cash and Cash Equivalents — Trust and Agency Funds				\$91,033
Less: Expendable Trust Funds				(2,214)
Less: Agency Funds				(50,695)
Cash and Cash Equivalents — Nonexpendable Trust Funds				<u>\$38,124</u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(1) Description of the District

The Bay Village City School District (the School District) operates under a locally elected five-member Board form of government and provides educational services as authorized by state and/or federal agencies. The Board of Education controls the District's seven instructional/support facilities staffed by 169 non-certificated employees, 198 certificated teaching personnel and 12 administrative employees who provide services to approximately 2,323 students and other community members. Another building owned by the District is currently being rented.

The District was established in 1903 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District serves an area of approximately 4.9 square miles. It encompasses the northwestern corner of Cuyahoga County, and is coterminous with the City of Bay Village, Ohio.

The District is the 227th largest in the state of Ohio (among 612 school districts) in terms of enrollment and the 10th largest in Cuyahoga County. It currently operates two elementary schools, one middle school, one comprehensive high school and a day care center.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The District also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

A. The Reporting Entity

For financial reporting purposes, the reporting entity is defined to include the primary government, component units, and other organizations consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

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

The following entities, which perform activities within the District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(2) Summary of Significant Accounting Policies – (Continued)

City of Bay Village The City government of Bay Village is a separate body politic and corporate. A mayor and council are elected independent of any school district relationships, and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

Bay Village Public Library The District is not involved in budgeting or management of the Bay Village Public Library facilities, nor does it subsidize or finance the operation of the library.

PTA and Athletic/Music Boosters These organizations exist to support various endeavors of the District through donations of time and other resources. Although the District benefits directly from the activities, the District neither manages or directs the operations nor provides financial support to these groups.

The District is associated with certain organizations which are identified as jointly governed organizations. These organizations are the **Lake Erie Educational Computer Association, Ohio Schools Council , and Bay Educational Foundation** (see Note 17).

Although not directly controlled by the Board of Education, the financial transactions of the following entities are handled by the Treasurer of the District and are included on the financial statements within special revenue funds.

Parochial Schools Within the District boundaries, St. Raphael is operated through the Cleveland Catholic diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed by the District on behalf of the parochial school.

Private School Bay Village Montessori Elementary School is located within the District boundaries. Current state legislation provides funding to this private school. These monies are received and disbursed on behalf of the private school by the Treasurer of the District, as directed by the private school. The receipt and fiduciary liability of these state monies by the District are reflected in a Special Revenue Fund for financial reporting purposes.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operation. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(2) Summary of Significant Accounting Policies – (Continued)

Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's Governmental Fund Types:

General Fund: The General Fund is the operating fund of the District 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of or repairs to major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Proprietary Funds

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The following are the District's Proprietary Fund Types.

Enterprise Funds: Enterprises Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Internal Service Funds: Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, non-expendable trust, and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The non-expendable trust fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(2) Summary of Significant Accounting Policies – (Continued)

General Fixed Assets Account Group: This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group: This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (expenses) in net total assets.

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available, except for what is on hand with the county treasurer on the last day of the fiscal year which is recognized in the current period. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(2) Summary of Significant Accounting Policies – (Continued)

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: General long term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds and Non-Expendable Trust Funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unused donated commodities are reported as deferred revenue.

D. Budgets

The District is required by state statute to adopt an annual appropriated budget for all funds. The specific timetable for fiscal year 2001 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Cuyahoga County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. All funds, other than Agency Funds, are legally required to be budgeted and appropriated. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year or until an Amended Certificate of Estimated Resources is received from the Budget Commission.) In Cuyahoga County, the Amended Certificate of Estimated Resources is not received until December or January. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals, at any level of control.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(2) Summary of Significant Accounting Policies – (Continued)

6. Formal budgetary integration is employed as a management control device during the year for all funds.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board of Education during fiscal 2001.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

E. Cash and Investments

Cash received by the District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. State statutes authorize the District to invest in obligations of U.S. Treasury, obligations of the State of Ohio, its political subdivisions and agencies, banker's acceptances, commercial paper and repurchase agreements. During fiscal year 2001, investments were limited to certificates of deposits or interests in STAR Ohio (the State Treasurer's Investment Pool.), one Federal Home Loan Discount Note and Federal National Mortgage Association Medium Term Note. Star Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on June 30, 2001. For purposes of presentation on the Combined Balance Sheet and in the Combined Statement of Cash Flows, cash equivalents are defined as deposits and investments with original maturities of three months or less at the time they were purchased by the District. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to Auxiliary Services (Special Revenue), Food Service (Enterprise), Endowments (Non-Expendable Trust Funds), and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance. Interest income earned in fiscal 2001 totaled:

General Fund	\$445,470
Special Revenue	6,783
Debt Service	74,983
Capital Projects	655,796
Enterprise Funds	4,240
Non-Expendable Trust	5,804
Total	<u>\$1,193,076</u>

An analysis of the District's investment account at year end is provided in Note 3.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(2) Summary of Significant Accounting Policies – (Continued)

F. Inventories

Inventory is stated at cost for governmental funds and at the lower of cost or market for proprietary funds on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General Fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$300 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.

2. Proprietary Funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (Years)</u>
Building	30-50
Building Improvements	10-40
Furniture, Fixtures and Minor Equipment	5-20
Improvements Other Than Building	10-20

I. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

State Property Tax Relief

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(2) Summary of Significant Accounting Policies – (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Drug Free Grant

Management Information Systems

Entry Year Grant

Eisenhower Math and Science Title II (Education for Economic Security)

Title VI B

Title I

Title VI

Preschool Grant

Auxiliary Services

Professional Development

Data Communication

School Net Professional Development

Textbook/Instructional Materials

Ohio Reads Grant

Summer School Intervention

Title VI-R – Class Size Reduction

Preschool Grant

Capital Projects

School Net Plus

Reimbursable Grants

General Fund

School Bus Purchases

Driver Education

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amount to approximately 27% of the District's operating revenue during the 2001 fiscal year.

J. Short-Term Interfund Receivables/Payables

At June 30, 2001 the District had one short-term interfund loan, which is classified as "interfund loan receivable/payable".

An analysis of interfund balances is reflected in Note 4.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(2) Summary of Significant Accounting Policies – (Continued)

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District. Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employee's rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, in accordance with the provisions of Statement No. 16. Anticipated retirement was based on thirty-five (35) years of age and at least ten (10) years service with the District.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Long-Term Obligations

Long-term obligations are recognized as a liability of a government fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, budget stabilization, and for the acquisition or construction of capital assets. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, property taxes, advances, debt service principal, endowments, textbooks and instructional materials, and budget stabilization.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(2) Summary of Significant Accounting Policies – (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for endowments signifies the legal restrictions on the use of principal.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Estimates

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

Q. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not represent financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(3) Legal Compliance

Accounts in the following Funds had expenditures plus encumbrances in excess of appropriations, at April 30, 2001, contrary to Ohio Revised Code Section 5705.41: General Fund, Public School Support Fund, Other Grant Fund, Venture Grant Fund, District Managed Student Activity Fund, Auxiliary Services Fund, Professional Development Fund, MIS Fund, School Net Fund, Ohio Reads Fund, Safe School Grant Fund, Title VI-B Fund, Title 1 Fund, EHA Pre-School Fund, Building Fund, School Net Support Fund, Food Service Fund, and Rotary Fund.

(4) Equity in Pooled Cash and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District 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 the School District's Board of Education has identified as not required for use within the current two 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, or by savings or deposit accounts including, but not limited to, passbook accounts.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(4) Equity in Pooled Cash and Investments – (Continued)

Interim monies are those monies that 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 may 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 or interest by the United States;
2. Bonds, notes, debentures, or 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;
6. The State Treasurer's investment pool (STAR Ohio), and
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 School District, and must be purchased with the expectation that it will be held until maturity.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments, and Repurchase Agreements."

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(4) Equity in Pooled Cash and Investments – (Continued)

Cash On Hand: At the year-end, the School District had \$905 in undeposited cash on hand which is included in the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$120,651 and the bank balance was \$351,060. \$201,000 of the bank balance was covered by federal depository insurance. \$150,060 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the School District's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The carrying value of deposits and investments is presented in the combined balance sheet as equity in pooled cash and cash equivalents. The School District invests in STAR Ohio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
STAR Ohio		\$26,254,294	\$26,254,294
Repurchase Agreement	\$78,000	78,000	78,000
Total Investment	\$78,000	\$26,332,294	\$26,332,294

(5) Interfund Assets/Liabilities

Interfund Receivable/Payable

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service	\$2,000

(6) Property Taxes

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(6) Property Taxes – (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The assessed value upon which the 2001 taxes were collected was \$405,579,495. Agricultural/Residential and public utility real estate represented 94% (\$381,447,080) of this total; Commercial & Industrial real estate represented 3% (\$11,323,540), public utility tangible 2% (\$7,517,590) and general tangible property 1% (\$5,291,285). The voted general tax rate for operations at the fiscal year ended June 30, 2001 was \$98.60 per \$1,000 of assessed valuation and \$4.84 per \$1,000 of assessed valuation for debt retirement. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

The Cuyahoga County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District our portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivables (total receivable less amount available intended to finance the current year) are therefore offset by a credit to deferred revenue. The amount available as an advance at June 30, 2001 was \$1,336,657 in the general fund, and \$147,697 in the bond retirement fund.

(7) Receivables

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows. The portion of receivables collected in the "available period" is recorded in the financial records.

	Amounts
General Fund	
Taxes	\$15,085,600
Accounts	32,008
Special Revenue	
Intergovernmental	46,745
Debt Service Fund	
Taxes	1,837,009
Enterprise Fund	
Accounts	14,878
Total Receivables	\$17,016,240

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(8) Fixed Assets

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

Asset Category	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Land and Improvements	\$1,304,141	\$16,000		\$1,320,141
Buildings and Improvements	13,479,222	62,492		13,541,714
Furniture and Equipment	2,954,366	229,208	\$101,693	3,081,881
Buses, Vehicles - Other	868,563	56,530	47,725	877,368
Totals	\$18,606,292	\$364,230	\$149,418	\$18,821,104

A summary of the Proprietary Fund fixed assets at June 30, 2001 is as follows:

Furniture and Equipment	\$353,450
Less: Accumulated Depreciation	<u>(267,542)</u>
Net Fixed Assets – Proprietary Fund	<u>\$85,908</u>

(9) Capitalized Leases – Lessee Disclosure

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the Combined Financial Statements for the Governmental Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$9,866. This amount is reflected as Debt Service Principal Retirement in the General Fund.

The following is an analysis of capital lease equipment as of June 30, 2001:

	General Fixed Assets
Physical Fitness Equipment	<u>\$47,005</u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2001.

June 30 Year Ending	Fitness Equipment
2002	<u>\$5,256</u>
Total Minimum	5,256
Less: Amount Representing Interest	<u>(132)</u>
Present Value of Future Minimum Lease Payments	<u>\$5,124</u>

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(10) Operating Leases

Bay Village City School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights, and therefore, the results of the lease agreements are not reflected in the District's account groups. During 2001, expenditures for operating leases totaled \$5,247. The following schedule is of future minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30	Amount
2002	\$5,247
2003	2,623
Total Minimum Lease Payment	<u>\$7,870</u>

(11) Long Term Debt

All current general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source of payment is derived from a current 1.24 mill bonded debt tax levy.

A. District Bonds/Notes Issues

The following is a description of the District bonds and notes outstanding as of June 30, 2001:

Purpose	Interest Rates	Issue Date	Maturity Date	Original Amount	Bonds/Notes Retired in 2001	Outstanding 06/30/01
Asbestos Removal Bonds, Series 1983	9.5	10/1/83	12/1/04	\$625,000	\$30,000	\$120,000
Energy Conservation Improvement Bonds, Series 1996	5.3	07/1/96	07/1/03	450,000	65,000	210,000
School Improvement Refunding Bonds, Series 1997	3.75	12/01/97	12/01/10	3,459,990	290,000	2,399,990
G. O. U. T. School Improvement Bond, Series 2001	3.25	03/28/01	12/01/25	20,000,000	0	20,000,000
G. O. U. T. School Improvement Notes, Series 2001	4.75	12/27/00	06/1/01	10,000,000	10,000,000	0
G. O. U. T. School Improvement Notes, Series 2001	3.75	01/19/01	06/01/01	10,000,000	10,000,000	0
IBM Computer Purchase Note	5.18	02/1/98	07/1/01	477,690	69,009	72,670
Total General Obligation Bonds/Notes						<u>\$22,802,660</u>

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(11) Long Term Debt – (Continued)

B. Debt Service Requirements

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$917,670	\$1,256,316	\$2,173,986
2003	915,000	982,385	1,897,385
2004	950,000	942,135	1,892,135
2005	920,000	905,784	1,825,784
2006	935,000	866,172	1,801,172
2007	750,086	1,045,647	1,795,733
2008	757,325	1,024,901	1,782,226
2009	771,502	1,005,710	1,777,212
2010	788,013	987,692	1,775,705
2011	363,064	1,424,049	1,787,113
2012	680,000	732,324	1,412,324
2013	710,000	701,914	1,411,914
2014	745,000	666,737	1,411,737
2015	780,000	626,706	1,406,706
2016	825,000	584,575	1,409,575
2017	865,000	540,213	1,405,213
2018	910,000	493,050	1,403,050
2019	960,000	442,794	1,402,794
2020	1,010,000	391,113	1,401,113
2021	1,065,000	337,941	1,402,941
2022	1,120,000	281,950	1,401,950
2023	1,175,000	223,875	1,398,875
2024	1,235,000	163,625	1,398,625
2025	1,295,000	100,375	1,395,375
2026	1,360,000	34,000	1,394,000
Total	<u>\$22,802,660</u>	<u>\$16,761,983</u>	<u>\$39,564,643</u>

C. Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payment. On the old bonds, accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2001, \$3,460,000 of bonds outstanding is considered defeased.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(11) Long Term Debt – (Continued)

D. Schedule of Changes in Long Term Debt

	Balance at 07/01/00	Additions	Deductions	Balance at 06/30/01
Compensated Absences	\$1,386,858	\$190,141		\$1,576,999
Due to Other Government	142,540	31,798		174,338
General Obligation Debt	3,114,990	20,000,000	\$385,000	22,729,990
Computer Purchase Note	141,678		69,008	72,670
Capital Leases	14,990		9,866	5,124
Total	\$4,801,056	\$20,221,939	\$463,874	\$24,559,121

General obligation bonds will be paid from the debt service fund. Compensated absences, pension obligation, and monies due to other governments will be paid from the fund from which the employee is paid. Capital lease obligations and the computer purchase note will be paid from the general fund.

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$14,102,165, and an unvoted debt margin of \$405,580.

(12) Segment Information - Enterprise Funds

The District maintains three Enterprise funds to account for the operations of food services, uniform school supplies sales and the Glenview Center for Child Care and Learning. The table below reflects in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	Glenview Center For Child Care And Learning	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$551,419	\$528,284	\$119,752	\$1,199,455
Depreciation Expense	2,039	11,693		13,732
Operating Income (Loss)	(11,241)	(73,000)	(34,296)	(118,537)
Transfers-In		5,000	33,375	38,375
Federal Donated Commodities		42,518		42,518
Interest		4,240		4,240
Grants		48,161		48,161
Other	662			662
Net Income (Loss)	(10,579)	26,919	(921)	15,419
Net Working Capital	229	47,774	43,216	91,219
Total Assets	120,738	179,280	49,227	349,245
Total Liabilities	105,704	60,403	6,011	172,118
Total Equity	15,034	118,877	43,216	177,127

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(13) Risk Management

The District 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 fiscal year 2001, the District contracted with Commercial Union Insurance for property and general liability insurance. Commercial Union Insurance also covers boiler and machinery. There is a \$1,000 deductible with a ninety percent co-insurance.

Professional liability is protected by Nationwide Insurance with a \$2,000,000 single occurrence limit and \$3,000 deductible. Vehicles are also covered by Nationwide Insurance and have a \$100 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past eight years.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District provides employee medical, surgical, dental and life insurance benefits through a traditional and P.P.O. program. The plan has a \$200 single and \$400 family deductible provision with the employee paying either 5% or 10% of the premiums depending on the plan selected.

The District has been successful in health insurance cost containment by introducing a provider network program (P.P.O.) that now has over one third of the eligible staff enrolled. In addition, both employee professional associations have worked through the negotiations process to raise deductible and co-insurance in an effort to contain medical insurance cost.

The District also offers a board paid employee assistance program and a wellness program that focuses not only on physical wellness, but mental and emotional well being also.

Medical Mutual administers the health insurance program. The current single and family rates for the traditional program are \$201.63 and \$560.03 per month, respectively. The P.P.O. program rates are \$208.90 single and \$561.86 family per month.

The cost of the dental program is \$61.43 per month per eligible employee.

(14) Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to School Employees Retirement System of Ohio, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 4.2 percent was the portion to fund pension obligations for fiscal 2001 compared to 5.55 percent for fiscal 2000. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by the State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 2001, 2000 and 1999 were \$517,055, \$504,025, and \$429,533, respectively; 48 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$267,420 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(14) Defined Benefit Pension Plans – (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion to fund pension obligations for fiscal 2001, compared to 6 percent for fiscal 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions to STRS for the fiscal years ending June 30, 2001, 2000 and 1999 were \$1,443,997, \$1,674,946 and \$1,295,602 respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$226,324 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

(15) Postemployment Benefits

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(15) Postemployment Benefits - (Continued)

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

(16) Budgetary Basis of Accounting

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Fund Types 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 that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$62,651	(\$102,322)	\$481,289	\$18,212,988	(\$455)
Revenue Accruals	(574,508)	46,745	62,628		
Expenditure Accruals	(117,569)	(8,938)	407	(110,123)	
Other Sources/Uses					
Encumbrances	287,794	59,345		2,082,889	
GAAP Basis	<u>(\$341,632)</u>	<u>(\$5,170)</u>	<u>\$544,324</u>	<u>\$20,185,754</u>	<u>(\$455)</u>

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(17) Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement 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 District at June 30, 2001.

B. Pending Litigation

The Bay Village City School District is a defendant in certain litigation, the outcome of which cannot be determined. It is the opinion of the District's management that any judgment against the District would not have a material adverse effect on the District's financial position.

(18) Jointly Governed Organizations

The Lake Erie Educational Computer Association (LEECA): LEECA is a jointly governed organization among thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one assembly member from each county in which participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Ohio Schools Council: The Ohio Schools Council (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying a one-time fee of \$500 and an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2001, the School District paid \$215,741 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI, and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(18) Jointly Governed Organizations – (Continued)

The School District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund that are not encumbered for its share of program administrative costs.

The Bay Village Educational Foundation: Is a jointly governed organization with the Bay Village City School District. The Bay Village Educational Foundation supports, promotes and funds creative programs designed by students and staff of the Bay Village City Schools, which enhance excitement and enthusiasm for learning. Foundation monies provide programs that are not paid for with tax dollars. Gifts, donations and contributions of cash, securities or other property from any source whatever, may be made to and accepted by the Foundation to enable the Foundation to carry out its purpose. The Board of Trustees consists of at least nine (9) and not more than eighteen (18) Trustees.

(19) Set-Aside Calculations and Fund Reserves

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2000	(\$33,736)		\$104,250
Current Year Set-aside Requirement	473,246	\$473,246	
Current Year Offsets			
Qualifying Disbursements	<u>(268,212)</u>	<u>(765,800)</u>	
Total	<u>\$171,298</u>	<u>(\$292,554)</u>	<u>\$104,250</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$171,298</u>		<u>\$104,250</u>
Set-Aside Reserve Balance as June 30, 2001	\$171,298		\$104,250

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below for capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$467,033.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

(20) State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 30, 2001, the Ohio General Assembly is still analyzing the impact this

Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

(21) Change in Government Accounting Principles

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. For Fiscal year 2001, the District has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement 36 "Recipient Reporting for Certain Shared Nonexchange Revenues". At June 30, 2000 there was no effect on fund balance as a result of these implementations.

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**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U. S. Department of Agriculture</u>						
<i>Passed Through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	NA	10.550	\$0	\$19,769	\$0	\$16,867
National School Lunch Program	043547 LL-P1-00	10.555	5,376	0	5,376	0
	043547 LL-P4-00		8,195	0	8,195	0
	043547 LL-P1-01		14,696	0	14,696	0
	043547 LL-P4-01		18,227	0	18,227	0
Total U. S. Department of Agriculture - Nutrition Cluster			46,494	19,769	46,494	16,867
<u>U. S. Department of Education</u>						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	043547 6B-SF-00	84.027	14,221	0	26,888	0
	043547 6B-SF-01		173,849	0	168,760	0
Special Education - Pre-School	043547 PG-S1-00	84.173	0	0	2,918	0
	043547 PG-S1-01		14,748	0	12,382	0
Total Special Education Cluster			202,818	0	210,948	0
Grants to Local Educational Agencies (ESEA Title I)						
	043547 C1-S1-99	84.010	10,757	0	10,757	0
	043547 C1-S1-00		22,589	0	42,127	0
	043547 C1-S1-01		52,709	0	67,183	0
Subtotal			86,055	0	120,067	0
Innovative Education Program	043547 C2-S1-00	84.298	0	0	9,411	0
	043547 C2-S1-01		15,476	0	14,396	0
Subtotal			15,476	0	23,807	0
Eisenhower Math and Science	043547 MS-S1-01	84.281	6,506	0	37	0
Subtotal			6,506	0	37	0
Drug Free Schools Grant	043547 DR-S1-00	84.186	1,039	0	1,500	0
	043547 DR-S1-01		9,718	0	8,136	0
Subtotal			10,757	0	9,636	0
Class Size Reduction	043547 CR-S1-00	84.340	2,946	0	2,946	0
	043547 CR-S1-01		30,959	0	30,959	0
Subtotal			33,905	0	33,905	0
Total U. S. Department of Education			355,517	0	398,400	0
Total Federal Assistance			\$402,011	\$19,769	\$444,894	\$16,867

Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2001, the District had federal commodities inventory of \$3,877.

NOTE C - NATIONAL SCHOOL LUNCH PROGRAM

Federal monies received by the District for this program are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Education
Bay Village City School District
Cuyahoga County
377 Dover Center Road
Bay Village, Ohio 44140

We have audited the financial statements of the Bay Village City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated April 10, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10818-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 10, 2002.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

April 10, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Bay Village City School District
Cuyahoga County
377 Dover Center Road
Bay Village, Ohio 44140

Compliance

We have audited the compliance of the Bay Village City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 10, 2002.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

Jim Petro
Auditor of State

April 10, 2002

BAY VILLAGE CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2001

SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Sec. .510?	No
(d)(1)(vii)	Major Programs (list)	Special Education Cluster: Special Education Grants to States CFDA #84.027 and Special Education - Pre-School CFDA # 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2001-10818-001
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Ohio Revised Code Section 5705.41 (B) & (D) prohibits a subdivision from making an expenditure unless it has been properly appropriated.

Expenditures plus encumbrances exceeded appropriations at the legal level of control (fund/function/object) at April 30, 2001 for the following funds:

Fund/Function/Object	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
001-1100-800	\$850	\$2,598	(\$1,748)
001-1200-800	0	213	(213)
001-1300-400	2,862	3,719	(857)
001-1300-800	0	107	(107)
001-1900-400	698,157	1,148,978	(450,821)
001-2100-400	96,220	111,469	(15,249)
001-2100-800	725	3,609	(2,884)
001-2200-700	13,000	22,195	(9,195)
001-2200-800	0	277	(277)
001-2300-500	0	948	(948)
001-2300-800	2,000	3,896	(1,896)
001-2400-400	159,869	234,935	(75,066)
001-2400-800	14,840	19,664	(4,824)
001-2500-200	34,132	53,936	(19,804)
001-2500-600	500	977	(477)
001-2600-200	28,721	34,721	(6,000)
001-2600-600	500	5,547	(5,047)
001-2600-700	500	12,877	(12,377)
001-2800-700	53,451	108,481	(55,030)
001-3200-100	0	1,704	(1,704)
001-3200-200	0	3,529	(3,529)
001-4100-100	0	24,291	(24,291)
001-4100-200	0	3,552	(3,552)
001-4500-600	0	12,934	(12,934)
001-4600-100	0	14,667	(14,667)
001-4600-200	0	2,111	(2,111)
001-5300-400	537	19,563	(19,026)
001-5600-400	8,923	18,117	(9,194)
001-5600-600	104,531	290,875	(186,344)
001-5600-700	0	23,323	(23,323)
001-7200-900	0	5,565	(5,565)
001-7400-900	0	50,000	(50,000)

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FINDING NUMBER		2001-10818-001	
Fund/Function/Object	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds			
018-1100-400	\$0	\$685	(\$685)
018-2100-400	0	160	(160)
018-2400-500	0	456	(456)
018-1100-500	3,000	5,765	(2,765)
018-1100-500	100	1,755	(1,655)
018-1100-600	0	8,500	(8,500)
018-2400-500	2,433	2,726	(293)
019-1100-400	2,000	4,204	(2,204)
019-2200-500	0	155	(155)
019-4500-700	0	13,840	(13,840)
019-1100-600	0	2,323	(2,323)
019-1300-500	0	421	(421)
032-2200-100	0	210	(210)
032-2200-200	0	29	(29)
300-4100-400	0	300	(300)
300-4100-500	1,000	7,368	(6,368)
300-4100-800	200	495	(295)
300-4100-400	1,000	14,688	(13,688)
300-4100-100	11,000	16,017	(5,017)
300-4500-700	300	2,186	(1,886)
300-4600-500	800	1,379	(579)
401-3200-400	0	970	(970)
401-3200-600	0	9,083	(9,083)
401-3200-600	0	68,047	(68,047)
401-3200-400	0	1,703	(1,703)
416-2200-500	0	2,530	(2,530)
432-2900-500	0	120	(120)
432-2900-400	0	150	(150)
452-2200-100	0	1,250	(1,250)
459-2200-100	6,000	6,994	(994)
459-2200-200	1,000	1,080	(80)
459-2400-200	1,000	1,089	(89)
459-2200-400	4,645	14,105	(9,460)
459-2200-500	7,012	7,842	(830)
499-2700-400	0	2,561	(2,561)
516-1200-100	0	11,482	(11,482)
516-1200-200	0	1,858	(1,858)
516-2100-400	0	916	(916)
572-1200-500	4,634	5,613	(979)
572-2400-500	0	295	(295)
587-2100-400	5,115	6,286	(1,171)

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2001**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FINDING NUMBER	2001-10818-001		
Fund/Function/Object	Appropriations	Expenditures Plus Encumbrances	Excess
Capital Projects Funds	\$0	\$1,968,773	(\$1,968,773)
004-5300-400	0	1,000	(1,000)
450-2200-400	0	1,203	(1,203)
450-2200-400			
Enterprise Fund			
006-2700-500	\$0	\$170	(\$170)
Internal Service Fund			
014-2400-100	\$250	\$322	(\$72)
014-1100-400	8,000	10,230	(2,230)
014-2100-500	6,064	8,985	(2,921)
014-2100-400	0	4,095	(4,095)
014-2200-100	0	350	(350)
014-3200-200	0	49	(49)

This weakness could allow expenditures, in the above funds, to exceed the total available fund balance and the current year's resources. This would then result in negative fund balance(s).

The District is aware of this requirement but their policy is to revise their appropriations at year-end. This non-compliance was corrected at June 30, 2001.

We recommend the District implement procedures to compare current month (as well as year-to-date) appropriations to expenditure, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. Budget revisions should be made at least monthly.

3. FINDINGS FOR FEDERAL AWARDS

None.

**BAY VILLAGE CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY
 JUNE 30, 2001**

**SCHEDULE OF PRIOR AUDIT FINDINGS
 OMB CIRCULAR A-133 § .315 (b)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-10818-001	Certification of adequate revenue - Ohio Rev. Code Section 5705.412	Yes	Fully Corrected
2000-10818-002	Significant overstatement of general fixed assets due to various accounting weaknesses	Yes	Fully Corrected



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OFFICE OF THE AUDITOR

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BAY VILLAGE CITY SCHOOL DISTRICT

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 4, 2002**