

Mary Taylor, CPA
Auditor of State

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay Village City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Bay Village City School District, Cuyahoga County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is 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 basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

March 30, 2009

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
UNAUDITED

The discussion and analysis of Bay Village City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets increased by \$ 2,336,090.
- Revenues for governmental activities totaled \$ 34,409,597 in 2008. Of this total, 86.7 percent consisted of General revenues while Program revenues accounted for the balance of 13.3 percent.
- Program expenses totaled \$ 32,073,507. Instructional expenses made up 50.3 percent of this total while support services accounted for 35.1 percent. Other expenses rounded out the remaining 14.6 percent.
- Outstanding general obligation bonded debt decreased to \$16,597,414 from \$17,443,405 in 2008.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2008?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the district as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure. In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional, extracurricular activities and interest.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Debt Service Fund.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
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Governmental Funds

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

The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

TABLE 1
NET ASSETS
GOVERNMENTAL ACTIVITIES

	2008	2007
Assets		
Current and other assets	\$ 31,356,731	\$ 29,816,517
Capital assets, net	29,891,848	29,766,775
Total assets	61,248,579	59,583,292
Liabilities		
Current liabilities and other liabilities	22,310,373	23,210,819
Long term liabilities		
Due within one year	1,138,914	1,141,236
Due in more than one year	20,866,382	20,634,417
Total liabilities	44,315,669	44,986,472
Net assets		
Invested in capital assets, net of related debt	10,555,247	9,411,813
Restricted	3,629,449	3,019,299
Unrestricted	2,748,214	2,165,708
Total net assets	\$ 16,932,910	\$ 14,596,820

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
UNAUDITED

DETAILS OF TABLE 1
NET ASSETS
GOVERNMENTAL ACTIVITIES

	2008	2007
Assets		
Equity in pooled cash	\$ 8,788,721	\$ 7,316,238
Cash with fiscal agent	5,128	5,128
Accounts receivable	68,586	21,220
Due from other governments	83,279	24,072
Accrued interest receivable	63,072	33,916
Inventories and supplies	57,651	46,089
Prepaid expenses	465	1,394
Taxes receivable	22,083,078	22,149,547
Deferred charges	206,751	218,913
Capital assets, net		
Nondepreciable capital assets	617,400	752,368
Depreciable capital assets, net	29,274,448	29,014,407
Total assets	61,248,579	59,583,292
Liabilities		
Accounts and contracts payable	260,906	404,961
Accrued salaries, wages and benefits	2,281,980	2,226,576
Due to other governments	852,617	800,623
Accrued interest payable	98,449	100,161
Unearned revenue	18,128,917	18,950,854
Matured bond and interest payable	5,128	5,128
Unamortized bond premium	682,376	722,516
Long term liabilities		
Due within one year	1,138,914	1,141,236
Due in more than one year	20,866,382	20,634,417
Total liabilities	44,315,669	44,986,472
Net assets		
Invested in capital assets, net of related debt	10,555,247	9,411,813
Restricted for:		
Capital projects	27,885	9,273
Debt service	3,165,539	2,707,566
Food service	55,929	19,175
School support	87,569	100,467
Extracurricular	47,446	36,236
State grants	128,522	40,432
Federal grants	31,636	1,368
Other purposes	84,923	104,782
Unrestricted	2,748,214	2,165,708
Total net assets	\$ 16,932,910	\$ 14,596,820

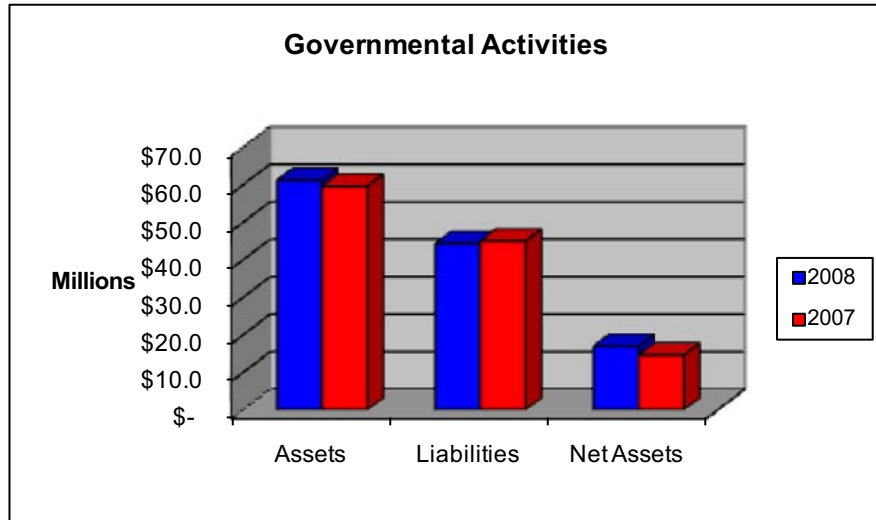
BAY VILLAGE CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2008
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Graph #1

Net Assets (Governmental Activities)
 (in millions)

	2008	2007
Assets	\$ 61.2	\$ 59.6
Liabilities	44.3	45.0
Net Assets	<u>\$ 16.9</u>	<u>\$ 14.6</u>



Total assets increased by \$ 1,665,287. The depreciable capital assets increased by \$ 260,041. The significant asset changes were an increase in equity in pooled cash of \$1,472,483.

Total liabilities decreased by \$ 670,803. Long term liabilities had an increase of \$ 229,643 due to increases in compensated absences balances and payments on debt service. The offsetting decreased liability is the unearned revenue \$ 821,937 which is the result of when tax revenue is available for advance.

The vast majority of revenue supporting all Governmental activities is general revenue. General revenue totaled \$ 29,846,038 or 86.7 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$4,563,559 or only 13.3 percent of total revenue.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
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Table 2 shows the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

Table 2
Governmental Activities

	2008	2007
Revenues		
Program Revenue		
Charges for services and sales	\$ 2,245,316	\$ 2,206,879
Operating grants, interest and contributions	1,856,544	1,579,927
Capital grants and contributions	461,699	-
Total program revenue	4,563,559	3,786,806
General revenue		
Property taxes	21,649,862	20,538,088
Grants and entitlements not restricted for specific purposes	7,486,238	7,167,532
Investment earnings	546,064	546,444
Miscellaneous	163,874	107,737
Total general revenues	29,846,038	28,359,801
Total revenues	34,409,597	32,146,607
Program expenses		
Instruction		
Regular	12,971,132	12,028,498
Special	2,024,178	1,745,308
Vocational	305,490	262,346
Other instruction	830,294	843,354
Supporting services		
Pupil	2,786,158	2,528,846
Instructional staff	978,653	1,024,557
Board of education	22,820	21,654
Administration	2,262,457	2,198,555
Fiscal services	618,662	846,881
Business	321,152	303,694
Operation and maintenance	2,919,332	2,740,130
Pupil transportation	964,897	892,400
Central services	382,448	406,745
Operation of non-instructional		
Food service operation	859,228	839,949
Community services	757,275	654,105
Day care operations	757,029	755,760
Extracurricular activities		
Academic	89,481	79,578
Occupation	327	737
Sports	740,423	633,928
Co-curricular	437,321	347,807
Interest	1,044,750	1,301,903
	32,073,507	30,456,735
Change in net assets	\$ 2,336,090	\$ 1,689,872

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
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Governmental Activities

The School District is a high performing District that has had excellent support from the community. In November 2006, the community approved a 5.75 mill levy on the first attempt which generated approximately 2.95 million dollars annually. This levy will be sufficient to maintain this quality program through fiscal 2009. The School District is committed to limit future expenditure amounts in the 3% to 4% annual range.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

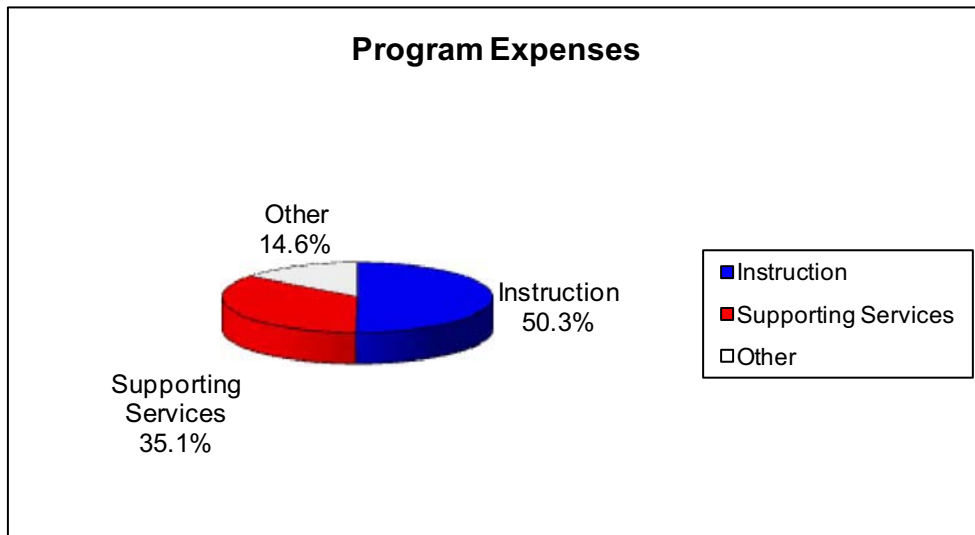
As one can see, approximately 50.3 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 35.1 percent. The remaining amount of program expenses, roughly 14.6 percent, is budgeted to facilitate other obligations of the School District such as interest and numerous extracurricular activities.

Actual expenses were consistent with annual budget expectations and the School District exhibited an increase in net assets in 2008 of \$ 2,336,090.

The Statement of Activities shows the total net cost of program services. Table 3 on the following page shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements, investment earnings and miscellaneous income.

Graph #2
Program Expenses
(in millions)

Instruction	\$	16.1
Supporting Services		11.3
Other		4.7
Total	\$	<u>32.1</u>



BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
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Table 3
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008
	<u>2008</u>	<u>2008</u>
Governmental activities		
Instruction		
Regular	\$ 12,971,132	\$ (12,697,763)
Special	2,024,178	(1,866,369)
Vocational	305,490	(305,490)
Other instruction	830,294	(830,294)
Supporting services		
Pupil	2,786,158	(2,234,017)
Instructional staff	978,653	(963,172)
Board of education	22,820	(22,820)
Administration	2,262,457	(2,037,866)
Fiscal services	618,662	(618,662)
Business	321,152	(309,152)
Operation and maintenance	2,919,332	(2,457,633)
Pupil transportation	964,897	(964,897)
Central services	382,448	(382,448)
Operation of non-instructional		
Food service operation	859,228	16,932
Community services	757,275	(59,284)
Day care operations	757,029	(10,822)
Extracurricular activities		
Academic	89,481	(89,481)
Occupation	327	(327)
Sports	740,423	(584,340)
Co-curricular	437,321	(47,293)
Interest	1,044,750	(1,044,750)
Totals	<u>\$ 32,073,507</u>	<u>\$ (27,509,948)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 62.9 percent of revenues comes from local property taxes. Grant and entitlements not restricted to specific programs make up 21.8 percent of revenue, while investment and other miscellaneous type revenues make up 2.0 percent. Program revenues only account for 13.3 percent of all governmental revenues.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
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Clearly, the Bay Village community is by far the greatest source of financial support for the students of the Bay Village City Schools.

School District's Funds

Information regarding the School District's major funds can be found on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$33,594,776 and expenditures of \$31,994,556. The net change in fund balance for the year was \$1,600,220.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the General Fund.

The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control expenses but provide flexibility for site-based decision and management.

For the General Fund, the final budget basis revenue estimate totaled \$26,684,101; this was below the original budget estimates of \$ 27,611,048. The main difference between the original and final estimates was due to an over estimation of intergovernmental receipts. The budget basis expense estimate totaled \$26,944,549 compared to original estimates of \$26,621,828. This difference was primarily due to changes in staffing costs throughout the year.

The General Fund unencumbered ending cash balance totaled \$5,162,368 which was above the original and final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of Fiscal Year 2008, the School District had \$29,891,848 invested in land, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. Table 4 shows fiscal 2008 values compared to 2007.

Table 4
Capital Assets at June 30
Governmental Activities

	2008	2007
Land	\$ 617,400	\$ 617,400
Construction in progress	-	134,968
Building and improvements	28,647,307	28,389,066
Furniture and equipment	426,755	424,891
Vehicles	200,386	200,450
Total capital assets	\$ 29,891,848	\$ 29,766,775

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
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All capital assets, except land and construction in progress, are reported net of depreciation. As one can see, the main increase in capital assets during the fiscal year occurred in the categories of building and improvements. For additional capital assets information, see Note 8 of the notes to the basic financial statements.

Debt

At June 30, 2008, the School District had \$16,597,414 in bonds outstanding. Table 5 summarizes the School District's bonds outstanding.

Table 5
Long Term Liabilities at June 30
Governmental Activities

	2008	2007
School improvement refunding bonds 1997 3.75% matures 2011	\$ 397,579	\$ 549,904
G.O.U.T. school improvement bonds 2002 3.25% matures 2026	1,525,000	2,130,000
School improvement refunding bonds 2006 4.0% matures 2025	13,880,000	14,030,000
School improvement capital appreciation bonds and accretion interest 2006, 12.69%, 2013, 2014 maturity	794,835	733,501
Total bonds	<u>\$ 16,597,414</u>	<u>\$ 17,443,405</u>

Outstanding bonds consist of general obligation bonds for building issues. General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the District. General obligation bonds will be paid from the Debt Service Fund from property taxes.

Other obligations include certificates of participation and compensated absences. For additional debt obligation information see Note 13 of the notes to the basic financial statements.

School District Outlook

Bay Village City School's current financial condition is excellent. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The School District ranks among the top schools in Ohio for educational excellence.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as legislators at the State level continue to explore a more equitable funding system.

Although the School District relies heavily on its property taxpayers to support its operations, the community support of the schools is quite strong. The Bay Village voters passed an incremental tax levy for 5.5 mills in November 2003 which helps fund the general operations and permanent improvements of the School District. In November 2006, the District passed a 5.75 mill operating levy for the purpose of current expenses. The School District has communicated to the community they rely upon their support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters from time to time to ask for additional support.

BAY VILLAGE CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its additional financial support toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court, again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not "equitable" nor "adequate". The court directed the Governor and the legislature to address the fundamental issue creating the inequities. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

In summary, the Bay Village City School District has committed itself to financial and educational excellence for many years to come.

Contacting the School District's Financial Management

This financial report is designated to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Deborah Putnam, Treasurer/Director of Fiscal Services, Bay Village City School District, 377 Dover Center Road, Bay Village, Ohio 44140.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
Assets	
Equity in pooled cash	\$ 8,788,721
Cash with fiscal agent	5,128
Accounts receivable	68,586
Due from other governments	83,279
Accrued interest receivable	63,072
Inventories and supplies	57,651
Prepaid expenses	465
Taxes receivable	22,083,078
Deferred charges	206,751
Capital assets	
Nondepreciable capital assets	617,400
Depreciable capital assets, net	29,274,448
Total assets	61,248,579
 Liabilities	
Accounts and contracts payable	260,906
Accrued salaries, wages and benefits	2,281,980
Due to other governments	852,617
Accrued interest payable	98,449
Unearned revenue	18,128,917
Matured bond and interest payable	5,128
Unamortized bond premium	682,376
Long term liabilities	
Due within one year	1,138,914
Due in more than one year	20,866,382
Total liabilities	44,315,669
 Net assets	
Invested in capital assets, net of related debt	10,555,247
Restricted for:	
Capital projects	27,885
Debt service	3,165,539
Food service	55,929
School support	87,569
Extracurricular	47,446
State grants	128,522
Federal grants	31,636
Other purposes	84,923
Unrestricted	2,748,214
Total net assets	\$ 16,932,910

See accompanying notes to the Basic Financial Statements.

BAY VILLAGE CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction					
Regular	\$ 12,971,132	\$ 272,234	\$ 1,135	\$ -	\$ (12,697,763)
Special	2,024,178		157,809	-	(1,866,369)
Vocational	305,490			-	(305,490)
Other instruction	830,294			-	(830,294)
Supporting services					
Pupil	2,786,158		552,141	-	(2,234,017)
Instructional staff	978,653		15,481	-	(963,172)
Board of education	22,820			-	(22,820)
Administration	2,262,457	77,050	147,541	-	(2,037,866)
Fiscal services	618,662			-	(618,662)
Business	321,152		12,000	-	(309,152)
Operation and maintenance	2,919,332			461,699	(2,457,633)
Pupil transportation	964,897			-	(964,897)
Central services	382,448			-	(382,448)
Operation of non-instructional					
Food service operation	859,228	744,834	131,326	-	16,932
Community services	757,275	12,000	685,991	-	(59,284)
Day care operations	757,029	746,207		-	(10,822)
Extracurricular activities					
Academic	89,481			-	(89,481)
Occupation	327			-	(327)
Sports	740,423	156,083		-	(584,340)
Co-curricular	437,321	236,908	153,120	-	(47,293)
Interest	1,044,750			-	(1,044,750)
Totals	<u>\$ 32,073,507</u>	<u>\$ 2,245,316</u>	<u>\$ 1,856,544</u>	<u>\$ 461,699</u>	<u>(27,509,948)</u>

General revenues

Property taxes levied for:

General purpose	19,684,716
Debt service	1,965,146
Grants and entitlements not restricted to specific purposes	7,486,238
Investment earnings	546,064
Miscellaneous	163,874
Total general revenues	<u>29,846,038</u>

Change in net assets

Change in net assets	2,336,090
Net assets at beginning of year	14,596,820
Net assets at end of year	<u>\$ 16,932,910</u>

See accompanying notes to the Basic Financial Statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

BALANCE SHEET –
GOVERNMENTAL FUNDS

JUNE 30, 2008

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 5,623,556	\$ 2,322,607	\$ 842,558	\$ 8,788,721
Cash with fiscal agent	-	5,128	-	5,128
Receivables, net of allowance				
Taxes	20,242,806	1,840,272	-	22,083,078
Accounts and other	61,502	-	7,084	68,586
Due from other governments	-	-	83,279	83,279
Interfund receivable	83,279	445,000	-	528,279
Inventories and supplies	39,911	-	17,740	57,651
Prepaid expenses	465	-	-	465
Total assets	\$ 26,051,519	\$ 4,613,007	\$ 950,661	\$ 31,615,187
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 132,505	\$ -	\$ 128,401	\$ 260,906
Accrued wages and benefits	2,190,412	-	91,568	2,281,980
Due to other governments	795,161	-	57,456	852,617
Interfund payable	-	-	528,279	528,279
Deferred revenue	17,990,114	1,590,659	31,345	19,612,118
Matured bond and interest payable	-	5,128	-	5,128
Compensated absences payable	127,299	-	-	127,299
Total liabilities	21,235,491	1,595,787	837,049	23,668,327
Fund balances				
Reserved for property taxes	2,252,692	249,613	-	2,502,305
Reserved for inventories	39,911	-	17,740	57,651
Reserved for prepaids	465	-	-	465
Reserved for encumbrances	363,782	-	57,695	421,477
Unreserved, reported in				
General Fund	2,159,178	-	-	2,159,178
Special Revenue Funds	-	-	426,586	426,586
Debt Service Fund	-	2,767,607	-	2,767,607
Capital Projects Funds	-	-	(388,409)	(388,409)
Total fund balances	4,816,028	3,017,220	113,612	7,946,860
Total liabilities and fund balances	\$ 26,051,519	\$ 4,613,007	\$ 950,661	\$ 31,615,187

See accompanying notes to the Basic Financial Statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2008

Total governmental funds balances	\$ 7,946,860
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	29,891,848
Revenues from accrued interest receivable in the statement of activities do not provide current financial resources and therefore are not reported as revenue in the funds.	63,072
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes and deferred charges.	1,689,952
Long term liabilities and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(3,115,470)
Bonds payable	(16,597,414)
Certificate of Participation	(2,130,000)
Capital lease payable	(35,113)
Unamortized bond premium	(682,376)
Accrued interest payable	(98,449)
Net assets of governmental activities	<u>\$ 16,932,910</u>

See accompanying notes to the Basic Financial Statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 19,021,118	\$ 1,883,218	\$ -	\$ 20,904,336
Tuition and fees	147,389	-	747,225	894,614
Interest	455,309	-	21,459	476,768
Intergovernmental	7,362,552	275,183	1,720,381	9,358,116
Charges for services	-	-	730,208	730,208
Extracurricular	-	-	360,382	360,382
Other	124,425	-	745,927	870,352
Total revenues	<u>27,110,793</u>	<u>2,158,401</u>	<u>4,325,582</u>	<u>33,594,776</u>
Expenditures				
Current				
Instruction				
Regular	11,880,987	-	39,323	11,920,310
Special	1,790,423	-	133,244	1,923,667
Vocational	292,145	-	-	292,145
Other instruction	820,555	-	9,739	830,294
Supporting services				
Pupil	2,056,881	-	465,371	2,522,252
Instructional staff	887,905	-	22,225	910,130
Board of education	22,820	-	-	22,820
Administration	1,875,333	-	225,755	2,101,088
Fiscal services	602,231	2,500	-	604,731
Business	331,314	-	-	331,314
Operation and maintenance	2,792,120	-	9,869	2,801,989
Pupil transportation	896,991	-	-	896,991
Central services	365,828	-	-	365,828
Operation of non-instructional				
Food service operation	-	-	842,315	842,315
Community services	40,628	-	666,005	706,633
Day care operations	-	-	751,355	751,355
Extracurricular activities				
Academic and subject oriented	140,156	-	386,973	527,129
Sports oriented	554,543	-	105,065	659,608
Capital outlay	315,981	-	645,005	960,986
Debt service				
Principal	131,237	907,325	11,443	1,050,005
Interest	99,736	872,531	699	972,966
Total expenditures	<u>25,897,814</u>	<u>1,782,356</u>	<u>4,314,386</u>	<u>31,994,556</u>
Excess (deficiency) of revenues over expenditures	<u>1,212,979</u>	<u>376,045</u>	<u>11,196</u>	<u>1,600,220</u>
Other financing sources (uses)				
Transfers-in	-	-	3,278	3,278
Transfers-out	(3,278)	-	-	(3,278)
Total other financing sources (uses)	<u>(3,278)</u>	<u>-</u>	<u>3,278</u>	<u>-</u>
Net change in fund balances	1,209,701	376,045	14,474	1,600,220
Fund balances, beginning of year	3,606,327	2,641,175	99,138	6,346,640
Fund balances, end of year	<u>\$ 4,816,028</u>	<u>\$ 3,017,220</u>	<u>\$ 113,612</u>	<u>\$ 7,946,860</u>

See accompanying notes to the Basic Financial Statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ 1,600,220

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

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

	Capital outlay	1,112,585	
	Depreciation expense	<u>(987,512)</u>	
	Total		125,073

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues
in the funds. 774,682

In the statement of activities, interest is accrued on outstanding long-term
debt, whereas in governmental funds, an interest expenditure is
reported when due. 1,712

The issuance of long-term debt (e.g. bonds) provide current financial
resources to governmental funds, while the repayment of the
principal of long-term debt consumes the current financial resources
of governmental funds. Neither transaction, however, has any
effect on net assets. Also, governmental funds report the effect of
issuance costs, premiums, discounts, and similar items when debt
is first issued, whereas these amounts are deferred and amortized
in the treatment of long-term debt and related items. 1,016,649

Some expenses reported in the statement of activities, do not require
the use of current financial resources and therefore are not
reported as expenditures in the governmental funds. (1,182,246)

Change in net assets of governmental activities \$ 2,336,090

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 19,741,553	\$ 18,845,601	\$ 19,030,944	\$ 185,343
Tuition and fees	128,000	128,000	147,389	19,389
Interest	400,000	400,000	406,524	6,524
Intergovernmental	7,302,911	7,070,000	7,312,956	242,956
Other	38,584	240,500	168,808	(71,692)
Total revenues	<u>27,611,048</u>	<u>26,684,101</u>	<u>27,066,621</u>	<u>382,520</u>
Expenditures				
Instruction				
Regular	12,179,251	11,994,112	11,840,004	154,108
Special	1,563,009	1,788,581	1,778,271	10,310
Vocational	332,210	312,910	295,662	17,248
Other instruction	964,143	995,431	885,929	109,502
Supporting services				
Pupil	1,931,399	2,108,981	2,075,992	32,989
Instructional staff	968,489	921,414	894,945	26,469
Board of education	28,420	31,420	22,454	8,966
Administration	2,169,134	2,041,279	1,920,500	120,779
Fiscal services	613,764	677,208	608,669	68,539
Business	313,961	386,739	340,457	46,282
Operation and maintenance	2,863,582	2,933,065	2,914,260	18,805
Pupil transportation	925,649	948,245	913,381	34,864
Central services	383,293	392,805	382,491	10,314
Operation of non-instructional				
Community services	45,675	55,542	45,838	9,704
Extracurricular activities				
Academic and subject oriented	231,000	174,000	140,156	33,844
Sports oriented	507,234	562,234	559,211	3,023
Capital outlay	358,500	377,468	323,585	53,883
Debt service				
Principal	140,396	140,396	131,237	9,159
Interest	102,719	102,719	99,736	2,983
Total expenditures	<u>26,621,828</u>	<u>26,944,549</u>	<u>26,172,778</u>	<u>771,771</u>
Excess (deficiency) of revenues over expenditures	<u>989,220</u>	<u>(260,448)</u>	<u>893,843</u>	<u>1,154,291</u>
Other financing sources (uses)				
Contingencies	(250,000)	(66,500)	-	66,500
Advances-in	-	25,000	24,072	(928)
Proceeds from the sales of assets	-	-	12,377	12,377
Advances-out	-	(84,000)	(83,279)	721
Transfers-out	-	(3,500)	(3,278)	222
Total other financing sources (uses)	<u>(250,000)</u>	<u>(129,000)</u>	<u>(50,108)</u>	<u>78,892</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	739,220	(389,448)	843,735	1,233,183
Fund balances, beginning of year	4,091,912	4,091,912	4,091,912	-
Prior year encumbrances	226,721	226,721	226,721	-
Fund balances, end of year	<u>\$ 5,057,853</u>	<u>\$ 3,929,185</u>	<u>\$ 5,162,368</u>	<u>\$ 1,233,183</u>

See accompanying notes to the Basic Financial Statements.

BAY VILLAGE CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY

STATEMENT OF FIDUCIARY NET ASSETS -
 FIDUCIARY FUNDS

JUNE 30, 2008

	Private Purpose Trust	
	Scholarship Fund	Agency Funds
Assets		
Equity in pooled cash	\$ 30,149	\$ 101,830
Interest receivable	186	-
Total assets	30,335	101,830
Liabilities		
Accounts payable	-	1,228
Due to others	-	26,483
Due to students	-	74,119
Total liabilities	-	\$ 101,830
Net assets		
Held in trust for scholarships	\$ 30,335	

See accompanying notes to the Basic Financial Statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PRIVATE PURPOSE TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Scholarship Fund</u>
Additions	
Interest	\$ 1,014
Deductions	<u>999</u>
Change in net assets	15
Net assets, beginning of year	<u>30,320</u>
Net assets, end of year	<u><u>\$ 30,335</u></u>

See accompanying notes to the Basic Financial Statements.

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BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Bay Village City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2007 was 2,447. The District employs 210 certificated and 174 non-certificated employees.

REPORTING ENTITY

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the District 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, and student related activities of the District.

Within the District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity 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; 3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided 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 District is associated with the Lake Erie Educational Computer Association, the Suburban Health Consortium, the Bay Village Education Foundation, and the Ohio Schools Council, which are considered to be jointly governed organizations. The District participates in a public risk pool managed by the Ohio Schools Boards Association Workers' Compensation Group Rating Program. The District also has a joint operating agreement with the City of Bay Village for constructing, equipping and furnishing a community gymnasium. These organizations and their relationships with the District are described in more detail in Note 15 and 16 to these basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

Governmental Funds

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

General Fund - the general fund is the operating fund of the school district and is used to account for all financial resources, except those required to be accounted for in another fund.

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.

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

Fiduciary Funds

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

C. MEASUREMENT FOCUS

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

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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 the taxes are levied (See Note 6). 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 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund, function and object level for the General Fund, and fund/special cost center for all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAROhio) or other short term investments. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$ 455,309, of which \$159,713 was credited from other funds. During fiscal year 2008, investments were limited to STAROhio, repurchase agreements, certificate of deposits and Super Now Account.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2008.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

H. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

I. PREPAID EXPENSE

Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the period amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

J. CAPITAL ASSETS

All capital assets of the District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$ 5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in process, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10 - 50 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 years

K. INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental column of the statement of net assets.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

M. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

N. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net assets reports \$ 3,629,449 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include other grants and rotary funds.

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

O. FUND BALANCE RESERVES AND DESIGNATIONS

The 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 balance reserves have been established for property taxes, prepaids, inventories and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. INTERFUND TRANSACTIONS

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

Q. ESTIMATES

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No.45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension. GASB 45 establishes standards for disclosure of information on postemployment benefits other than pension. This statement applies to all state and local governments.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 843,735
Adjustments, increase (decrease)	
Revenue accruals	44,172
Expenditure accruals	274,964
Other sources (uses)	46,830
GAAP basis, as reported	\$ 1,209,701

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the 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 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 2 percent and be marked to market daily, and 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and
8. Under limited circumstances, corporate debt interests rated in 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 District, and must be purchased with the expectation that it will be held to maturity.

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

At fiscal year end, the District had \$ 1,270 in cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash."

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District may not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the District's deposits was \$ 7,421,282 and the bank balance was \$ 7,549,323. Of the bank balance, \$ 301,000 was covered by federal depository insurance and \$ 7,248,323 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

The District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2008, the District had the following investments:

	Maturities	Fair Value
Investment in State Treasurer's Investment Pool	n/a	\$ 1,503,276

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

D. INTEREST RATE RISK

The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2008, the District's investments in StarOhio were rated AAAM by Standard & Poor's. Ohio law requires that StarOhio maintain the highest rating provided by at least one nationally recognized standard rating service.

F. CONCENTRATION OF CREDIT RISK

The District places no limit on the amount that may be invested in any one issuer. The District's allocation as of June 30, 2008 was 100 percent invested in STAR Ohio.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2008 were levied after April 1, 2007, on the assessed values as of December 31, 2006, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2007, on the value as of December 31, 2007. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is 6.25 percent for 2008. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES (continued)

The District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008/2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2008 operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2008, was \$ 2,252,692 in the General Fund and \$ 249,613 in the Debt Service Fund. The amount available as an advance at June 30, 2007, was \$ 2,262,518 in the General Fund and \$ 223,766 in the Debt Service Fund. The difference was in the timing and collection by the County Auditor.

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis this revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second - Half Collections			2008 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential and Other Real Estate	\$ 507,648,890	98.79	%	\$ 509,777,170	98.79 %
Public Utilities	5,176,530	1.01		5,176,530	1.00
Tangible Personal Property	1,053,145	0.20		1,053,145	0.20
Total Assessed Value	<u>\$ 513,878,565</u>	<u>100.00</u>	%	<u>\$ 516,006,845</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	<u>108.9</u>			<u>108.9</u>	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008, consisted of taxes, accounts and other, due from other governments, accrued interest and interfund. All receivables are considered substantially 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. All receivables are expected to be collected within one year.

A summary of the principal items of due from other governments receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Title I	\$ 3,477
Title VIB	79,802
Total due from other governments	<u>\$ 83,279</u>

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 617,400	\$ -	\$ -	\$ 617,400
Construction in progress	134,968	757,176	892,144	-
	<u>752,368</u>	<u>757,176</u>	<u>892,144</u>	<u>617,400</u>
Depreciable capital assets				
Buildings and improvements	38,047,054	1,085,751	-	39,132,805
Furniture and equipment	1,057,982	96,784	7,530	1,147,236
Vehicles	1,101,936	71,698	52,000	1,121,634
Total capital assets being depreciated	<u>40,206,972</u>	<u>1,254,233</u>	<u>59,530</u>	<u>41,401,675</u>
Less accumulated depreciation				
Buildings and improvements	9,657,988	827,510	-	10,485,498
Furniture and equipment	633,091	88,240	850	720,481
Vehicles	901,486	71,762	52,000	921,248
Total accumulated depreciation	<u>11,192,565</u>	<u>987,512</u>	<u>52,850</u>	<u>12,127,227</u>
Depreciable capital assets, net of accumulated depreciation	<u>29,014,407</u>	<u>266,721</u>	<u>6,680</u>	<u>29,274,448</u>
Governmental activities capital assets, net	<u>\$ 29,766,775</u>	<u>\$ 1,023,897</u>	<u>\$ 898,824</u>	<u>\$ 29,891,848</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 414,437
Special	34,697
Vocational	1,351
Supporting services	
Pupil	133,588
Instructional staff	35,363
Administration	68,924
Fiscal services	2,929
Business	1,959
Operation and maintenance	117,475
Pupil transportation	64,433
Central services	1,306
Operation of non-instructional services	
Food service operation	16,913
Community services	13,322
Extracurricular activities	
Sports oriented	80,815
Total depreciation expense	<u>\$ 987,512</u>

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 9 - INTERFUND ASSETS/LIABILITIES

On the fund financial statements at June 30, 2008, interfund balances consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 83,279	\$ -
Debt Service Fund	445,000	-
Non-major Funds:		
Title VIB	-	79,802
Title I	-	3,477
Capital Projects	-	445,000
Total	<u>\$ 528,279</u>	<u>\$ 528,279</u>

These amounts are represented as "Interfund Receivable/Payable" on the balance sheet. The loans from the general fund were made to support programs and projects in the Special Revenue Funds. The \$ 445,000 interfund transaction between the Debt Service Fund and Capital Projects Fund is a manuscript bond. The manuscript bond is not expected to be repaid in one year.

NOTE 10 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the District contracted with the following companies:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Indiana Insurance	Building and contents at replacement value	\$ 61,059,803	\$ 2,500
	Inland Marine	2,177,216	3,000
	Boiler & Machinery at replacement value	-	2,500
	General liability each occurrence	1,000,000	N/A
	personal injury	1,000,000	N/A
	general aggregate	2,000,000	N/A
	Automotive liability	1,000,000	N/A
	Uninsured motorist	500,000	N/A
	Errors and omissions	1,000,000	2,500

Settled claims have not exceeded this commercial coverage in any of the past three years. During the current fiscal year, the District contracted with Indiana Insurance for all of its insurance. There has not been a significant reduction in insurance coverage from the previous year.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 10 - RISK MANAGEMENT (continued)

B. WORKERS' COMPENSATION

The District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc., provides administrative, cost control and actuarial services to the GRP.

C. EMPLOYEE MEDICAL BENEFITS

The District offers a board paid employee assistance program and a wellness program that focuses on physical wellness as well as mental and emotional well being.

The District participates in the Suburban Health Consortium (the Consortium), a shared risk pool (Note 16), to provide group health, life, dental and/or other insurance coverages. Consortium Member premium rates are set or determined by the Board of Directors. To the extent and in the manner permitted by any applicable agreements, policies, rules, regulations and laws, each Consortium Member may require contributions from its employees toward the cost of any benefit program being offered by the Consortium Member, and such contributions shall be included in the payments from such Consortium premium to the Consortium. Because the District is a member of the Consortium and the Consortium holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual districts, IBNR information is not available on a district-by-district basis.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$420,331, \$483,946 and \$464,632 respectively; 35 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,700,370, \$1,739,325, and \$1,563,715 respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$91,707.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$191,811, \$150,440, and \$145,801 respectively; 35 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$30,286, \$29,907, and \$25,473 respectively; 35 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$130,798, \$124,237, and \$120,286 respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Outstanding June 30, 2007	Additions	Retired	Outstanding June 30, 2008	Amounts Due In One Year
School improvement refunding bonds 1997 3.75% matures 2011	\$ 549,904	\$ -	\$ 152,325	\$ 397,579	\$ 141,502
G.O.U.T. school improvement bonds 2002 3.25%, matures 2026	2,130,000	-	605,000	1,525,000	630,000
School improvement refunding bond 2006 4.0%, matures 2025	14,030,000	-	150,000	13,880,000	110,000
Capital appreciation bonds 2006 12.69%, matures 2013, 2014	704,984	-	-	704,984	-
Accretion interest	28,517	61,334	-	89,851	-
Total bonds	<u>17,443,405</u>	<u>61,334</u>	<u>907,325</u>	<u>16,597,414</u>	<u>881,502</u>
Certificates of Participation 2004, 3.158% - 5.339%, matures 2023	2,225,000	-	95,000	2,130,000	95,000
Capital lease	82,793	-	47,680	35,113	35,113
Compensated absences	2,024,455	1,708,984	490,670	3,242,769	127,299
	<u>\$ 21,775,653</u>	<u>\$ 1,770,318</u>	<u>\$ 1,540,675</u>	<u>\$ 22,005,296</u>	<u>\$ 1,138,914</u>

Certificates of Participation – In 2004, the District entered into a ground lease to secure the necessary funding for anticipated cost overruns of the middle school project. The lease is an annual lease subject to renewal for 25 years through December 1, 2023.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

The Leasing Corporation entered into an agreement with a trustee through which it assigned and transferred rights and interest under the lease to Huntington National Bank, as trustee. Legal title to the facility remains with Huntington National Bank until all payments required under the lease have been made. At that time, title will transfer to the District. The Trustee issued Certificates of Participation in the lease agreement enabling holders of the Certificates to receive a portion of the semi-annual lease payments. Proceeds from the issuance are being used to cover the anticipated cost overruns of the middle school project.

The obligation of the District under the lease and any subsequent lease renewal is subject to annual appropriation of the rental payments. The annual principal and interest requirements will be provided from the Debt Service Fund. The Certificates of Participation are not a general obligation of the District but are payable only from appropriations by the District for annual lease payments. Principal and interest requirements to retire the Certificates of Participation are as follows:

Certificates of Participation			
Year ending	Principal	Interest	Total
<u>June 30,</u>			
2009	\$ 95,000	\$ 95,031	\$ 190,031
2010	100,000	92,163	192,163
2011	100,000	88,950	188,950
2012	105,000	85,463	190,463
2013	110,000	81,631	191,631
2014-2018	630,000	324,004	954,004
2019-2023	805,000	138,231	943,231
2024	185,000	4,162	189,162
	<u>\$ 2,130,000</u>	<u>\$ 909,635</u>	<u>\$ 2,850,473</u>

The amount of bonds issued in 2006 was \$ 14,734,984. The general obligation bonds included serial, term and capital appreciation bonds. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2008 was \$ 14,584,984. The accreted interest of \$ 89,851 has been included in the Statement of Net Assets at June 30, 2008. This year the addition of these bonds was \$61,334 which represents the increase in accretion of interest. The final amount of these bonds will be \$ 1,755,000 payable through December 2014.

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 payments. 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, 2008, \$ 16,015,000 of bonds outstanding are considered defeased.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2008, were as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 881,502	\$ 848,138	\$ 1,729,640
2010	903,013	825,621	1,728,634
2011	478,064	946,800	1,424,864
2012	800,000	558,153	1,358,153
2013	845,000	521,243	1,366,243
2014-2018	3,444,984	2,358,928	5,803,912
2019-2023	5,360,000	1,438,050	6,798,050
2024-2026	3,795,000	261,112	4,056,112
	<u>\$ 16,507,563</u>	<u>\$ 7,758,045</u>	<u>\$ 24,265,608</u>

The following is a schedule of minimum lease payments required under the capital lease obligation and the present value of the minimum lease payments as of June 30, 2008.

	Year ending June 30,	Minimum Payment
	2009	\$ 35,726
Total minimum payments		35,726
Less: Amount representing interest		(613)
Present value of future minimum lease payments		<u>\$ 35,113</u>

The cost of assets under the capital lease is \$ 299,087, with a net book value of \$ 90,564.

Bonds payable will be repaid from the Debt Service Fund. The capital lease obligation will be repaid through the General Fund and the Network Connectivity Fund. Compensated absences will be repaid from the funds from which employees' salaries are paid.

NOTE 14 – CONTRACTUAL COMMITMENTS

At June 30, 2008, the District had contractual commitments for the athletic field installation as follows:

	Contracted Amount	Expended	Remaining Liability
Athletic Field	<u>\$ 892,144</u>	<u>\$ 850,398</u>	<u>\$ 41,746</u>

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 15 - SET-ASIDES

The 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 maintenance. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital maintenance during fiscal year 2008.

	Textbook	Capital Maintenance
Balance, July 1, 2007	\$ (545,409)	\$ -
Required set aside	388,627	388,627
Qualifying expenditures	(704,714)	(887,310)
Balance June 30, 2008	\$ (861,496)	\$ (498,683)
Carry forward at June 30, 2008	\$ (861,496)	\$ -

Expenditures and offset credits for textbooks and capital maintenance during the year were \$ 704,714 and \$ 887,310, respectively, which exceeded the required set-aside and the reserve balance. Textbook expenditures have exceeded statutory requirements by \$ 861,496 which may be used as offset credits for future years' set aside requirements.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed to provide data processing services for accounting, administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software packages utilized. The LEECA assembly consists of a superintendent or designated representative from each participating 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 operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2008, the District paid \$ 49,375 to LEECA.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. SUBURBAN HEALTH CONSORTIUM

The Suburban Health Consortium (“the Consortium”) is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operated as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium.

The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent’s designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members. Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation. The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (North Royalton School District).

The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal.

Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal, a withdrawal fee in the amount equal to two months’ premiums at the Consortium Member’s current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months’ premiums at the Consortium Member’s current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium’s assets. Financial information for the Consortium can be obtained from Richard McIntosh, Treasurer of North Royalton City School District (the fiscal agent) at 6579 Royalton Road, North Royalton, Ohio 44133.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. BAY VILLAGE EDUCATION FOUNDATION

The Bay Village Education Foundation (Foundation) is a jointly governed organization established by the Ohio Revised Code to support, promote and fund creative programs designed by students and staff of the District 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 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.

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among 91 school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. 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 2008 the District paid \$ 72,656 to the Council.

The District participates in the Council's electric purchase program which was implemented during fiscal year 1998. The program allows school districts to purchase electricity at reduced rates for a period of eight years through Energy Acquisition Corporation (Corporation), a non-profit corporation with a self-appointing Board of Trustees. The Corporation issued \$ 119,140,000 of notes to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI). The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement during the eight year period, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

The District 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 which are not encumbered for its share of program administrative costs.

Financial information can be obtained by contacting David Cottrell, Executive Secretary/Treasurer of Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 17 - COMMUNITY GYMNASIUM JOINT OPERATING AGREEMENT

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

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

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

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

The District is responsible for fire and liability insurance. The City is responsible for maintaining liability insurance for activities in the Gym under the City's supervision. The District and the City also have additional annual obligations for housekeeping, custodial equipment, supplies and utility costs.

NOTE 18 - INTERFUND TRANSFERS

During the year ended June 30, 2008, a transfer of \$ 3,278 was made to the Community Gym, Capital Improvement Fund from the General Fund to subsidize improvements.

NOTE 19 - DEFICIT FUND BALANCE

On June 30, 2008, the Improving Teacher Quality Fund had a deficit fund balance of \$1,019, the Glenview Day Care Fund had a deficit fund balance of \$ 11,639 and the Building Fund had a deficit fund balance of \$ 399,617. The General Fund is liable for deficits in the funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 20 - CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2008.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Agency Pass-through Agency Federal Program	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	2007	10.555	\$11,116	\$0	\$11,116	\$0
National School Lunch Program	2008	10.555	81,492	34,273	81,492	34,273
Total National School Lunch Program			92,608	34,273	92,608	34,273
Total U.S. Department of Agriculture			92,608	34,273	92,608	34,273
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States, IDEA Part B	2007	84.027	0	0	2,288	0
Special Education Grants to States, IDEA Part B	2008	84.027	618,168	0	610,153	0
Total Special Education Grants to States			618,168	0	612,441	0
Special Education Preschool Grants	2007	84.173	20,200	0	20,200	0
Special Education Preschool Grants	2008	84.173	1,500	0	0	0
Total Special Education Preschool Grants			21,700	0	20,200	0
Total Special Education Cluster			639,868	0	632,641	0
Title I, Part A, ESEA	2007	84.010	8,251	0	2,203	0
Title I, Part A, ESEA	2008	84.010	106,459	0	109,425	0
Total Title I, Part A, ESEA			114,710	0	111,628	0
Innovative Education Program Strategies, Title V	2008	84.152	4,278	0	4,278	0
Improving Teacher Quality, Title II-A	2007	84.367	96	0	280	0
Improving Teacher Quality, Title II-A	2008	84.367	60,471	0	59,698	0
Total Improving Teacher Quality, Title II-A			60,567	0	59,978	0
Safe and Drug Free Schools and Communities- State Grants	2008	84.186	5,508	0	5,508	0
Education Technology State Grants, Title II-D	2008	84.352	1,135	0	1,075	0
<i>Passed Through Educational Service Center of Cuyahoga County:</i>						
English Language Acquisition Grants, Title III	2007	84.365	0	0	776	0
English Language Acquisition Grants, Title III	2008	84.365	2,203	0	2,203	0
Total English Language Acquisition Grants, Title III			2,203	0	2,979	0
Total U.S. Department of Education			828,269	0	818,087	0
Total All Federal Funds			\$920,877	\$34,273	\$910,695	\$34,273

The accompanying notes to this schedule are an integral part of this schedule.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes 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 basic financial statements.

NOTE B – NATIONAL SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are co-mingled with State grants and local monies. It is assumed federal monies are expended first.

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, 2008, the District had no significant food commodities in inventory.

CFDA – Catalog of Federal Domestic Assistance.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bay Village City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated March 30, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 30, 2009.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 30, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

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 apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 30, 2009

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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 § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States – CFDA#84.027 and Special Education, Preschool Grant – 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

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(CONTINUED)

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

FINDING NUMBER 2008-001

Material Noncompliance

Fiscal Officer's Certificate

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that he is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Blanket Certificate – Fiscal officers may prepare blanket certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the board against any specific line item account over a period not running beyond the current fiscal year.

The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

Super Blanket Certificate – The taxing authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For 8 out of 27 (29.6%) expenditures tested, the District did not properly certify funds prior to purchase commitment nor was there evidence the District followed the aforementioned exceptions for these transactions. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(CONTINUED)**

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

FINDING NUMBER 2008-001 (Continued)

Material Noncompliance (Continued)

Fiscal Officer's Certificate (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the taxing authority's funds exceeding budgetary spending limitations, we recommend the Treasurer certify funds are or will be available prior to obligation by the taxing authority. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

The Bay Village City School District has implemented on-line requisitions, and this process has decreased the number of improperly encumbered purchase orders. The Treasurer's Office will continue to work with staff members to ensure that all expenditures and encumbrances have proper appropriation authority prior to purchasing. This has been continuously addressed by the Treasurer's Office and we believe the number of incidents has decreased over the past years.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED; PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i>EXPLAIN:</i>
2007-001	ORC 5705.41(B) - Expenditures plus encumbrances exceeding appropriations at the legal level of control	No	Not corrected; reissued as a management letter comment.
2007-002	ORC 5705.41(D) - Proper encumbrance of funds	No	Not corrected; reissued as 2008-001.
2007-003	ORC 149.351(A) - Retention of Public Records	Yes	



Mary Taylor, CPA
Auditor of State

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 23, 2009**