

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	
Combined Balance Sheet - All Fund Types and Account Groups	1
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Fund	6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Types and Similar Trust Fund	8
Combined Statement of Cash Flows - Proprietary Fund Types and Similar Trust Fund	9
Notes to the General Purpose Financial Statements	10
Schedule of Federal Awards Expenditures	34
Notes to the Schedule of Federal Awards Expenditures	35
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	36
Report on Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance in Accordance With OMB Circular A-133	38
Schedule of Findings	40
Data Collection Form	41



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Bay Village City School District, Cuyahoga County, Ohio, (District), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized "X" mark.

JIM PETRO
Auditor of State

December 13, 1999

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Cash Equivalents	\$4,366,191	\$361,808	\$326,222	\$75,462
Receivables:				
Taxes	13,010,674	-	401,396	-
Accounts	25,176	-	-	-
Intergovernmental	-	-	-	-
Interfund Receivable	2,000	-	-	-
Materials and Supplies Inventory	22,644	-	-	-
Accrued Interest	3,707	54	-	-
Prepaid Items	25,928	-	-	-
Restricted Assets:				
Cash and Cash Equivalents	104,250	-	-	-
Fixed Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
Other Debits:				
Amount in Debt Service Fund for Retirement of General Long-term Obligations	-	-	-	-
Provided from General Government Resources	-	-	-	-
Total Assets and Other Debits	<u>\$17,560,570</u>	<u>\$361,862</u>	<u>\$727,618</u>	<u>\$75,462</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Asset Account Group	General Long-Term Debt Account Group	
\$141,826	\$25,824	\$76,578	\$0	\$0	\$5,373,911
-	-	-	-	-	13,412,070
7,777	-	-	-	-	32,953
7,489	-	-	-	-	7,489
-	-	-	-	-	2,000
47,927	7,353	-	-	-	77,924
-	-	538	-	-	4,299
-	-	-	-	-	25,928
-	-	27,025	-	-	131,275
306,236	-	-	20,008,649	-	20,314,885
(260,708)	-	-	-	-	(260,708)
-	-	-	-	381,154	381,154
-	-	-	-	5,059,325	5,059,325
<u>\$250,547</u>	<u>\$33,177</u>	<u>\$104,141</u>	<u>\$20,008,649</u>	<u>\$5,440,479</u>	<u>\$44,562,505</u>

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities:				
Accounts Payable	\$372,599	\$52,353	\$300	\$0
Accrued Wages and Benefits	1,570,353	18,140	-	-
Compensated Absences Payable	187,203	-	-	-
Interfund Payable	-	-	-	-
Intergovernmental Payable	312,403	3,733	-	-
Deferred Revenue	11,288,029	-	346,164	-
Due to Students	-	-	-	-
Undistributed Monies	-	-	-	-
Notes Payable	-	-	-	-
Capital Leases Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	13,730,587	74,226	346,464	-
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Encumbrances	222,808	48,837	-	-
Reserved for Inventory	22,644	-	-	-
Reserved for Debt Service Principal	-	-	325,922	-
Reserved for Advances	2,000	-	-	-
Reserved for Property Taxes	1,722,645	-	55,232	-
Reserved for Endowments	-	-	-	-
Reserved for Budget Stabilization	104,250	-	-	-
Unreserved:				
Unreserved, Undesignated	1,755,636	238,799	-	75,462
Total Fund Equity and Other Credits	3,829,983	287,636	381,154	75,462
Total Liabilities, Fund Equity and Other Credits	\$17,560,570	\$361,862	\$727,618	\$75,462

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Asset Account Group	General Long-Term Debt Account Group	
\$18,052	\$7,353	\$3,648	\$0	\$0	\$454,305
32,851	-	-	-	-	1,621,344
41,491	-	-	-	-1,305,101	1,533,795
-	2,000	-	-	-	2,000
58,347	-	-	-	418,802	793,285
7,964	-	-	-	-	11,642,157
-	-	59,804	-	-	59,804
-	-	5,367	-	-	5,367
-	-	-	-	207,211	207,211
-	-	-	-	24,375	24,375
-	-	-	-	3,484,990	3,484,990
<u>158,705</u>	<u>9,353</u>	<u>68,819</u>	<u>-</u>	<u>5,440,479</u>	<u>19,828,633</u>
-	-	-	20,008,649	-	20,008,649
91,842	23,824	-	-	-	115,666
-	-	-	-	-	271,645
-	-	-	-	-	22,644
-	-	-	-	-	325,922
-	-	-	-	-	2,000
-	-	-	-	-	1,777,877
-	-	27,025	-	-	27,025
-	-	-	-	-	104,250
-	-	8,297	-	-	2,078,194
<u>91,842</u>	<u>23,824</u>	<u>35,322</u>	<u>20,008,649</u>	<u>-</u>	<u>24,733,872</u>
<u>\$250,547</u>	<u>\$33,177</u>	<u>\$104,141</u>	<u>\$20,008,649</u>	<u>\$5,440,479</u>	<u>\$44,562,505</u>

BAY VILLAGE CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property & Other Local Taxes	\$13,296,302	\$0	\$430,165	\$0	\$0	\$13,726,467
Intergovernmental	4,996,139	692,097	59,397	73,605	-	5,821,238
Interest	318,368	5,217	-	-	-	323,585
Tuition and Fees	50,077	-	-	-	-	50,077
Rent	91,684	-	-	-	-	91,684
Extracurricular Activities	-	146,402	-	-	-	146,402
Gifts and Donations	5,488	6,593	-	-	6,881	18,962
Customer Services	49,072	-	-	-	-	49,072
Miscellaneous	17,493	111,892	-	-	-	129,385
Total Revenues	18,824,623	982,201	489,562	73,605	6,881	20,356,872
Expenditures:						
Current:						
Instruction:						
Regular	8,914,902	21,146	-	-	1,342	8,937,390
Special	908,505	116,703	-	-	-	1,025,208
Vocational	329,290	4,301	-	-	-	333,591
Others	646,423	-	-	-	-	646,423
Support Services:						
Pupils	1,228,679	86,447	-	-	-	1,315,126
Instructional Staff	792,312	46,943	-	-	592	839,847
Board of Education	18,286	-	-	-	-	18,286
Administration	1,650,253	69,983	-	-	-	1,720,216
Fiscal	414,135	-	903	-	-	415,038
Business	231,252	-	-	-	-	231,252
Operation and Maintenance of Plant	1,909,077	-	-	-	-	1,909,077
Pupil Transportation	562,145	-	-	-	-	562,145
Central	180,489	-	-	-	-	180,489
Non-Instructional Services	7,172	447,290	-	-	-	454,462
Extracurricular activities	495,017	146,179	-	-	4,172	645,368
Capital Outlay	194,643	-	-	-	-	194,643
Debt Service:						
Debt Service - Principal	79,391	-	400,000	-	-	479,391
Debt Service - Interest	7,646	-	142,138	-	-	149,784
Total Expenditures	18,569,617	938,972	543,041	-	6,106	20,057,736
Excess of Revenues Over (Under) Expenditures	255,006	23,229	(53,479)	73,605	775	299,136
Other Financing Sources and Uses						
Operating Transfers In	-	-	79,345	-	-	79,345
Other Financing Sources	-	1,165	-	-	-	1,165
Refund of Prior Year Expenditures	3,771	-	-	-	-	3,771
Operating Transfers Out	(94,345)	(25,000)	-	-	-	(119,345)
Refund of Prior Year Receipts	-	-	-	-	(210)	(210)
Total Other Financing Sources (Uses)	(90,574)	(23,835)	79,345	-	(210)	(35,274)
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	164,432	(606)	25,866	73,605	565	263,862
Fund Balances at Beginning of Year	3,865,551	288,242	355,288	1,857	2,715	4,313,653
Fund Balances at End of Year	\$3,829,583	\$287,636	\$381,154	\$75,462	\$3,280	\$4,577,515

The notes to the financial statements are integral part of this statement.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999

	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property & Other Local Taxes	\$12,570,000	\$12,740,329	\$170,329	\$0	\$0	\$0
Intergovernmental	4,915,108	4,996,139	81,031	700,000	692,097	(7,903)
Interest	335,000	326,146	(8,854)	5,000	5,305	305
Tuition and Fees	31,000	50,077	19,077	-	-	-
Rent	95,000	81,797	(13,203)	-	-	-
Extracurricular Activities	-	-	-	150,000	146,402	(3,598)
Gifts and Donations	-	-	-	-	-	-
Miscellaneous	64,000	90,258	26,258	131,391	116,212	(15,179)
Total Revenues	18,010,108	18,284,748	274,638	986,391	960,016	(26,375)
Expenditures:						
Current:						
Instruction:						
Regular	8,921,719	8,414,280	507,439	87,992	38,812	49,180
Special	972,392	911,003	61,389	166,268	127,610	38,658
Vocational	338,858	329,567	9,291	5,604	4,301	1,303
Support Services:						
Pupils	1,277,234	1,253,870	23,364	97,889	92,713	5,176
Instructional Staff	806,165	801,589	4,576	87,753	55,654	32,099
Board of Education	32,830	18,063	14,767	-	-	-
Administration	1,556,316	1,552,705	3,611	137,098	72,627	64,471
Fiscal	415,061	411,625	3,436	-	-	-
Business	237,898	234,437	3,461	-	-	-
Operation and Maintenance of Plant	1,991,507	1,916,419	75,088	-	-	-
Pupil Transportation	667,629	659,381	8,248	-	-	-
Central	245,124	186,867	58,257	-	-	-
Non-Instructional Services	746,000	744,648	1,352	483,636	461,565	22,071
Extracurricular activities	547,315	490,516	56,799	159,150	146,910	12,240
Capital Outlay	232,435	225,338	7,097	6,034	-	6,034
Debt Service:						
Debt Service - Principal	79,433	79,391	42	-	-	-
Debt Service - Interest	7,650	7,646	4	-	-	-
Total Expenditures	19,075,566	18,237,345	838,221	1,231,422	1,000,192	231,230
Excess of Revenues Over (Under) Expenditures	(1,065,458)	47,401	1,112,859	(245,031)	(40,176)	204,855
Other Financing Sources and Uses						
Operating Transfers In	15,000	-	(15,000)	-	-	-
Proceeds from Sale of Fixed Assets	-	623	623	-	3,438	3,438
Refund of Prior Year Expenditures	-	3,771	3,771	-	-	-
Advances In	-	-	-	-	-	-
Operating Transfers Out	(95,000)	(94,345)	655	(30,000)	(25,000)	5,000
Refund of Prior Year Receipts	-	-	-	-	-	-
Advances Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(80,000)	(89,951)	(9,951)	(30,000)	(21,562)	8,438
Excess of Rev and Other over Exp and Other...	(1,145,458)	(42,550)	1,102,908	(275,031)	(61,738)	213,293
Fund Balances at Beginning of Year	3,773,640	3,773,640	-	320,209	320,209	-
Prior Year Encumbrances Appropriated	420,303	420,303	-	35,797	35,797	-
Fund Balances at end of Year	\$3,048,485	\$4,161,393	\$1,112,908	\$80,975	\$294,268	\$213,293

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

Debt Service			Capital Projects			Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$496,500	\$418,384	(\$78,116)	\$0	\$0	\$0	\$0	\$0	\$0	\$13,066,500	\$13,158,713	\$92,213
61,662	59,397	(2,265)	74,000	73,605	(395)	-	-	-	5,750,770	5,821,238	70,468
-	-	-	-	-	-	-	-	-	340,000	331,451	(8,549)
-	-	-	-	-	-	-	-	-	31,000	50,077	19,077
-	-	-	-	-	-	-	-	-	95,000	81,797	(13,203)
-	-	-	-	-	-	-	-	-	150,000	146,402	(3,598)
-	-	-	-	-	-	8,200	6,881	(1,319)	203,591	213,351	9,760
558,162	477,781	(80,381)	74,000	73,605	(395)	8,200	6,881	(1,319)	19,636,861	19,803,029	166,168
-	-	-	-	-	-	2,344	1,342	1,002	9,012,055	8,454,434	557,621
-	-	-	-	-	-	-	-	-	1,138,658	1,038,613	100,045
-	-	-	-	-	-	-	-	-	344,462	333,868	10,594
-	-	-	-	-	-	1,030	592	438	1,376,153	1,347,175	28,978
-	-	-	-	-	-	-	-	-	893,918	857,243	36,675
-	-	-	-	-	-	-	-	-	32,830	18,063	14,767
-	-	-	-	-	-	-	-	-	1,693,414	1,625,332	68,082
5,000	1,106	3,894	-	-	-	-	-	-	420,061	412,731	7,330
-	-	-	-	-	-	-	-	-	237,898	234,437	3,461
-	-	-	-	-	-	-	-	-	1,991,507	1,916,419	75,088
-	-	-	-	-	-	-	-	-	667,629	659,381	8,248
-	-	-	-	-	-	-	-	-	245,124	186,867	58,257
-	-	-	-	-	-	-	-	-	1,229,636	1,206,213	23,423
-	-	-	71,857	-	71,857	4,200	4,172	28	710,665	641,598	69,067
-	-	-	-	-	-	1,824	-	1,824	312,150	225,338	86,812
403,000	400,000	3,000	-	-	-	-	-	-	482,433	479,391	3,042
142,550	142,138	412	-	-	-	-	-	-	150,200	149,784	416
550,550	543,244	7,306	71,857	-	71,857	9,598	6,106	3,292	20,938,793	19,786,887	1,151,906
7,612	(66,463)	(73,075)	2,143	73,605	71,462	(1,198)	775	1,973	(1,301,932)	16,142	1,318,074
-	79,345	79,345	-	-	-	-	-	-	15,000	79,345	64,345
-	-	-	-	-	-	-	-	-	-	4,061	4,061
-	-	-	-	-	-	-	-	-	-	3,771	3,771
-	-	-	-	-	-	-	-	-	(125,000)	(119,345)	5,655
-	-	-	-	-	-	(210)	(210)	-	(210)	(210)	-
-	79,345	79,345	-	-	-	(210)	(210)	-	(110,210)	(32,378)	77,832
7,612	13,882	6,270	2,143	73,605	71,462	(1,408)	565	1,973	(1,412,142)	(18,236)	1,393,906
312,340	312,340	-	1,857	1,857	-	2,715	2,715	-	4,410,761	4,410,761	-
-	-	-	-	-	-	-	-	-	456,100	456,100	-
\$319,952	\$326,222	\$6,270	\$4,000	\$75,462	\$71,462	\$1,507	\$3,280	\$1,973	\$5,454,719	\$4,850,625	\$1,393,906

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fudiciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
Operating Revenues:				
Sales	\$463,313	\$0	\$0	\$463,313
Tuition	561,228	4,475	-	565,703
Interest	-	-	1,553	1,553
Other Revenues	127,620	102,426	-	230,046
Total Operating Revenues	1,152,161	106,901	1,553	1,260,615
Operating Expenses:				
Salaries	565,025	6,641	-	571,666
Fringe Benefits	137,456	12	-	137,468
Purchased Services	57,755	67,075	-	124,830
Materials and Supplies	449,016	25,778	-	474,794
Depreciation	8,060	-	-	8,060
Other	2,354	-	1,360	3,714
Total Operating Expenses	1,219,666	99,506	1,360	1,320,532
Operating Income (Loss)	(67,505)	7,395	193	(59,917)
Non-Operating Revenues and Expenses:				
Federal Donated Commodities	21,437	-	-	21,437
Interest	1,148	-	-	1,148
Federal and State Subsidies	45,334	-	-	45,334
Other	647	-	-	647
Total Non-Operating Revenues and Expenses	68,566	-	-	68,566
Net Income (Loss)	1,061	7,395	193	8,649
Operating Transfer -In	40,000	-	-	40,000
Retained Earnings/Fund Balance at Beginning of Year	50,781	16,429	31,849	99,059
Retained Earnings/Fund Balances at End of Year	\$91,842	\$23,824	\$32,042	\$147,708

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

BAY VILLAGE CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals Memorandum Only
	Enterprise	Internal Service	Non-Expendable Trust	
Cash Flows from Operating Activities:				
Cash Received from Sales	\$462,913	\$0	\$0	\$462,913
Cash Received from Tuition and Fees	549,005	4,475	-	553,480
Other Cash Receipts	127,620	102,425	-	230,045
Cash Pmts. to Suppliers for Goods & Service	(422,602)	(25,922)	-	(448,524)
Cash Payments for Contract Services	(57,755)	(67,075)	-	(124,830)
Cash Payments for Employee Services	(561,242)	(6,641)	-	(567,883)
Cash Payments for Employee Benefits	(137,456)	(12)	-	(137,468)
Other Cash Payments	(13,140)	-	(1,360)	(14,500)
Net Cash Provided by (Used for) Operating Activities	(52,657)	7,250	(1,360)	(46,767)
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	45,666	-	-	45,666
Non-Operating Revenue	647	-	-	647
Operating Transfer In	40,000	-	-	40,000
Net Cash Provided by (Used for) Noncapital Financing Activities	86,313	-	-	86,313
Cash Flows from Investing Activities:				
Interest on Investments	1,148	-	1,654	2,802
Net Cash Provided by (Used for) Investing Activities	1,148	-	1,654	2,802
Net Increase (Decrease) in Cash and Cash Equivalents	34,804	7,250	294	42,348
Cash & Cash Equivalents at Beginning of Year	107,023	18,574	31,210	156,807
Cash & Cash Equivalents at End of Year	\$141,827	\$25,824	\$31,504	\$199,155
Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	(\$72,988)	\$7,395	\$193	(\$65,400)
Adjustments to Reconcile Operating Income (loss) To Net Cash Provided by (Used for) Operating Activities:				
Depreciation	8,173	-	-	8,173
Donated Commodities Used During the Year	21,437	-	-	21,437
Non-Expendable Trust Fund Interest	-	-	(1,654)	(1,654)
Adjustment to Capital Outlay	(6,253)	-	-	(6,253)
(Increase) Decrease in Assets:				
Accounts Receivable	(1,713)	-	-	(1,713)
Accrued Interest Receivable	-	-	101	101
Material and Supplies Inventory	(5,302)	(7,353)	-	(12,655)
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	(1,549)	-	-	(1,549)
Intergovernmental Payable	3,687	-	-	3,687
Deferred Revenue	(11,449)	-	-	(11,449)
Accounts Payable	11,656	7,208	-	18,864
Accrued Wages and Benefits	1,644	-	-	1,644
Total Adjustments	20,331	(145)	(1,553)	18,633
Net Cash Provided by (Used for) Operating Activities	(\$52,657)	\$7,250	(\$1,360)	(\$46,767)

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(1) Description of the District

The Bay Village City School District (District) operates under a locally-elected five-member Board form of government and provides educational services as authorized by state and/or federal agencies. The Board of Education controls the District's seven instructional/support facilities staffed by 162 non-certificated employees, 185 certificated teaching personnel and 12 administrative employees who provide services to approximately 2,403 students and other community members. Another building owned by the District is currently being rented.

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

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

The District is the 203rd largest in the state of Ohio (among 610 school districts) in terms of enrollment and the 10th largest (behind Cleveland School District) in Cuyahoga County. It currently operates two elementary schools, one middle school, one comprehensive high school and a day care center.

(2) Summary of Significant Accounting Policies

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

A. The Reporting Entity

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

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

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

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

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

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

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

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

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

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

B. Fund Accounting

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, non-expendable trust, and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Non-expendable trust funds are accounted for in essentially the same manner as proprietary

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements, student fees and rent. Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available were recognized as revenue.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: General long term obligation

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

D. Budgets

The District is required by state statute to adopt an annual appropriated budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Cuyahoga County Budget Commission for tax rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year or until an Amended Certificate of Estimated Resources is received from the Budget Commission.) In Cuyahoga County, the Amended Certificate of Estimated Resources is not received until December or January. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals, at any level of control.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

6. Formal budgetary integration is employed as a management control device during the year for all funds.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board of Education during fiscal 1999 in the following amounts:

	<u>Increase</u>
Trust and Agency	\$4,200.00

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

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

E. Cash and Investments

Cash received by the District is deposited in a central bank account with individual fund balance integrity maintained. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. State statutes authorize the District to invest in obligations of U.S. Treasury, obligations of the State of Ohio, its political subdivisions and agencies, bankers acceptances, commercial paper and repurchase agreements. During fiscal year 1999, investments were limited to certificates of deposits or interests in STAR Ohio (the State Treasurer's Investment Pool.), one Federal Home Loan Discount Note and Federal National Mortgage Association Medium Term Note. Star Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. Star Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price which is the price the investment could be sold for on June 30, 1999. For purposes of presentation on the Combined Balance Sheet and in the Combined Statement of Cash Flows, cash equivalents are defined as deposits and investments with original maturities of three months or less at the time they were purchased by the District. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to Auxiliary Services (Special Revenue), Food Service (Enterprise), Endowments (Non-Expendable Trust Funds), and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance. Interest income earned in fiscal 1999 totaled:

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

General Fund	\$326,146
Special Revenue	5,305
Enterprise Fund	1,148
Non-Expendable Trust	<u>1,553</u>
Total	\$334,152

An analysis of the District's investment account at year end is provided in Note 4.

F. Inventories

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it is consumed.

H. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to *establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State.* Restricted assets in the Trust and Agency Funds represents endowment principal. Fund balance reserves have also been established.

I. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

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

J. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Drug Free Grant

Management Information Systems

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

Title VI B

Title I

Title VI

Preschool Grant

Auxiliary Services

Professional Development

Data Communication

Textbook/Instructional Materials

Reimbursable Grants

General Fund

School Bus Purchases

Driver Education

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amount to approximately 28% of the District's operating revenue during the 1999 fiscal year.

K. Short-Term Interfund Receivables/Payables

At June 30, 1999 the District had one short-term interfund loan which is classified as "interfund loan receivable/payable".

An analysis of interfund balances is reflected in Note 5.

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

L. Compensated Absences

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

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

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

M. Long-Term Obligations

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

N. Fund Balance Reserves

The District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, inventory, debt service principal, advances and encumbrances. Fund equity has also been reserved for endowments to indicate that the principal is legally restricted. Under Ohio law, the reserve for budget stabilization must be established for certain revenues but not expendable without permission of the Ohio Department of Education.

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

O. Interfund Transactions

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

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

P. Estimates

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

Q. Memorandum Only - Total Columns

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

(3) Other Required Individual Fund Disclosures

As a result of reporting on a GAAP basis, the Title I Fund (572) had a negative fund balance of \$3,972. The District has not received the total amount of money due from the Department of Education. The outstanding balance for the fiscal year is \$43,027.

(4) Equity in Pooled Cash and Investments

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

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

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

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

New legislation, effective September 27, 1996, now permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio), and
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$191,960 and the bank balance was \$368,462. \$277,025 of the bank balance was covered by federal depository insurance. \$91,437 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the School District's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 2	Carrying Value	Market Value
STAR Ohio		\$2,853,607	\$2,853,607
U.S. Agency Securities	\$2,471,104	2,471,104	2,459,619
Total Investment	\$2,471,104	\$5,324,711	\$5,313,226

Due to recent in interest rates, securities are now selling modestly below par value, but will reflect par value at maturity.

(5) Interfund Assets/Liabilities

Interfund Receivable/Payable

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service	\$2,000

(6) Property Taxes

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

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(6) Property Taxes - (Continued)

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 25%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$360,864,805. Agricultural/Residential and public utility real estate represented 94.54% (\$341,173,110) of this total; Commercial & Industrial real estate represented 2.50% (\$9,026,220), public utility tangible 2.29% (\$8,256,050) and general tangible property .67% (\$2,409,425). The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$85.05 per \$1,000 of assessed valuation and \$1.24 per \$1,000 of assessed valuation for debt retirement. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivables (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance at June 30, 1999 was \$1,722,645 in the general fund, and \$55,232 in the bond retirement fund.

(7) Receivables

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

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

<u>General Fund</u>	
Taxes - Current & Delinquent	\$ 13,010,674
Accounts	25,176
<u>Debt Service Fund</u>	
Taxes - Current - Delinquent	401,396
<u>Enterprise Fund</u>	
Intergovernmental - State & Federal	7,489
Accounts	7,777
<u>Trust and Agency Funds</u>	
Accrued Interest	<u>538</u>
Grand Total	<u>\$13,453,050</u>

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(8) Fixed Assets

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

	Balance <u>July 1, 1998</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 1999</u>
Land/				
Improvements	\$ 1,279,031	\$129,121	\$ 0	\$ 1,408,152
Buildings	13,393,601	33,677	0	13,427,278
Buses, Vehicles -				
Other	848,161	71,111	0	919,272
Furniture/				
Equipment	<u>3,990,777</u>	<u>287,558</u>	<u>24,388</u>	<u>4,253,947</u>
Total	<u>\$19,511,570</u>	<u>\$521,467</u>	<u>\$ 24,388</u>	<u>\$20,008,649</u>

A summary of the Proprietary Fund fixed assets at June 30, 1999 is as follows:

Furniture and Equipment	\$ 306,236
Less Accumulated Depreciation	\$ (260,708)
Net Fixed Assets-Proprietary Fund	<u>\$ 45,528</u>

(9) Capitalized Leases - Lessee Disclosure

The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the Combined Financial Statements for the Governmental Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Asset Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Debt Account Group. Principal payments in the 1999 fiscal year totaled \$8,912. This amount is reflected as Debt Service Principal Retirement in the General Fund.

The following is an analysis of capital lease equipment as of June 30, 1999:

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999.

<u>June 30</u> <u>Year Ending</u>	<u>Fitness</u> <u>Equipment</u>
2000	\$ 10,520
2001	10,513
2002	<u>5,256</u>
Total Minimum	26,289
Less: Amount Representing Interest	(1,914)
Present Value of Future Minimum Lease Payments	<u>\$ 24,375</u>

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(10) Operating Leases

Bay Village City School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights, and therefore, the results of the lease agreements are not reflected in the District's account groups. During 1999, expenditures for operating leases totaled \$5,247. The following schedule is of future minimum lease payments as of June 30, 1999.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2000	\$ 5,247
2001	5,247
2002	5,247
2003	<u>2,623</u>
Total Minimum Lease Payment	<u>\$18,364</u>

(11) Long Term Debt

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

A. District Bonds/Notes Issues

The following is a description of the District bonds and notes outstanding as of June 30, 1999:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Bonds/Notes Retired In 1999</u>	<u>Outstanding 06/30/99</u>
Asbestos Removal	9.5	10/1/83	12/1/04	\$ 625,000	\$ 30,000	\$ 180,000
High School Additions & Auditorium	5.125	1/1/74	12/1/98	1,000,000	40,000	0
Energy Conservation	5.3	7/1/96	7/1/03	450,000	60,000	335,000
Bldg. Renovation Refunding	3.75	12/01/97	12/01/10	3,459,990	270,000	2,969,990
IBM Computer Purchase Note	5.18	2/1/98	7/1/01	477,690	70,479	<u>207,211</u>
Total General Obligation Bonds/Notes						<u>\$3,692,201</u>

B. Debt Service Requirements

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(11) Long Term Debt - (Continued)

Year Ending June 30	Principal and Interest on General Obligation Bonds/Notes	Principal & Interest Installment Loan	Total
2000	\$ 494,147	\$ 76,525	\$ 570,672
2001	491,297	76,525	567,822
2002	487,503	76,525	564,028
2003	487,635		487,635
2004	485,104		485,104
2005	407,788		407,788
2006	383,531		383,531
2007	375,000		375,000
2008	365,000		365,000
2009	360,000		360,000
2010	360,000		360,000
2011	355,000		355,000
Total	<u>\$5,052,005</u>	<u>\$229,575</u>	<u>\$5,281,580</u>

C. Early Retirement Incentive Program

During the 1997-98 fiscal year, the Bay Village Board of Education entered into an early retirement incentive program for certificated staff. The School District has agreed to purchase 2 years of service for 22 teaching staff, effective 7/1/98. The cost to the District is \$125,653 and is recorded as a long term debt obligation in the General Long-Term Debt Account Group.

D. Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payment. On the old bonds, accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 1999, \$3,460,000 of bonds outstanding are considered defeased.

E. Schedule of Changes in Long Term Debt

	Balance July 1, 1998	Increase	(Decrease)	Balance June 30, 1999
Compensated Absences				
Sick Leave	\$1,117,469	\$ 0	\$(23,444)	\$1,094,025
Vacation	89,432	0	(4,009)	85,423
Severance Pay	267,085	0	(141,432)	125,653
ERI Cost	459,867	0	(459,867)	0
Due to Other Gov't.	379,804	38,998	0	418,802
General Obligation				
Debt	3,884,990	0	(400,000)	3,484,990
Installment Loan	277,690	0	(70,479)	207,211
Capital Leases	33,279	0	(8,904)	24,375
Total	<u>\$6,509,616</u>	<u>\$ 38,998</u>	<u>\$(1,108,135)</u>	<u>\$5,440,479</u>

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(11) Long Term Debt - (Continued)

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

F. Legal Debt Margin

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

The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$32,477,832, and an unvoted debt margin of \$360,865.

(12) Segment Information - Enterprise Funds

The District maintains three Enterprise funds to account for the operations of food services, uniform school supplies sales and the Glenview Center for Child Care and Learning. The table below reflects in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Glenview Center for Child Care and Learning</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Fund</u>
Operating Revenue	\$ 566,936	\$ 463,313	\$ 121,912	\$ 1,152,161
Depreciation	2,330	5,843	0	8,173
Operating Income (Loss)	8,923	(41,361)	(35,067)	(67,505)
Transfers - In	0	5,000	35,000	40,000
Operating Grants	0	66,771	0	66,771
Net Income (Loss)	9,570	26,558	(35,067)	1,061
Fixed Asset Additions	0	11,623	0	11,623
Net Working Capital	10,079	(13,762)	49,998	46,315
Total Assets	105,320	83,098	62,129	250,547
Total Liabilities	87,565	59,009	12,131	158,705
Total Equity	17,755	24,089	49,998	91,842

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(13) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the District contracted with Commercial Union Insurance for property and general liability insurance. Commercial Union Insurance also covers boiler and machinery. There is a \$1,000 deductible with a ninety percent co-insurance.

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

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

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

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

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

Medical Mutual administers the health insurance program. The current single and family rate for the traditional program are \$183.70 and \$514.44 per month, respectively. The P.P.O. program rates are \$179.22 single and \$485.01 family per month.

The cost of the dental program is \$65.95 per month per eligible employee.

(14) Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by the State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ending June 30, 1999, 1998 and 1997 were \$429,533,

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(14) Defined Benefit Pension Plans

\$466,412, and \$401,206, respectively; 36 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$153,405 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions to STRS for the fiscal years ending June 30, 1999, 1998 and 1997 were \$1,295,602, \$1,330,004 and \$1,191,946 respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$207,296 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Debt Account Group.

C. Post Employment Benefits

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

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

The board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Foundation from which payments for health care benefits are paid. For the district, this amount equaled \$185,086 during this 1999 fiscal year. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999, will be 3.5% of covered payroll.

For the year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

For the School Employees Retirement System, all retirees with a retirement date prior to July 1, 1986, are eligible to receive benefits. Retirees with a retirement date on or after July 1, 1986, must have ten years of service credit to be eligible to receive benefits.

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(14) Defined Benefit Pension Plans – (Continued)

Retirees with retirement dates on or after July 1, 1989, who have ten to twenty-five years of service credit must pay a portion of their own coverage. Retirees with a retirement date prior to July 1, 1989, and retirees with a retirement date on or after July 1, 1989, with more than twenty-five years of service credit do not pay a premium. Premium payments are required for all covered spouses and dependents. For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll.

Benefits are on a pay-as-you-go basis using the entry age normal cost method. Significant actuarial assumptions include: a rate of return on investments of 7.75 percent; salary increases of 4.75 percent for inflation and between zero and 3.00 percent based on seniority and merit; a health care inflation rate that will not exceed the general inflation rate; and the eligibility of all health care recipients for Medicare upon attaining age sixty-five or immediately if retirement is due to disability. Plan assets are valued at cost, except for cash and investments which are valued on a market related basis.

The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The District's actual contributions for the 1999 fiscal year were \$152,791. Actuarial contribution requirements are determined for the System as a whole, not for individual employers. Net assets available for payment of benefits at June 30, 1998 was \$160.3 million for the System as a whole.

(15) Budgetary Basis of Accounting

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(15) Budgetary Basis of Accounting – (Continued)

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
Budget Basis	\$ (42,550)	\$(61,738)	\$13,882	\$73,605	\$565
Net Adjustment for Revenue Accruals	539,254	(88)	11,781	0	0
Net Adjustment for Expenditure Accruals	(662,805)	(6,319)	203	0	0
Net Adjustment for Other Sources/Uses	0	0	0	0	0
Adjustment for Encumbrances	<u>330,533</u>	<u>67,539</u>	<u>0</u>	<u>0</u>	<u>0</u>
GAAP Basis	<u>\$164,432</u>	<u>\$(606)</u>	<u>\$25,866</u>	<u>\$73,605</u>	<u>\$565</u>

(16) Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agencies. The District has also met the requirements of the Federal Single Audit Act Amendments of 1996 and OMB Circular A-133. 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, 1999.

B. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$3,235,902 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(16) Contingencies – (Continued)

has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

C. Pending Litigation

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

(17) Jointly Governed Organizations

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one assembly member from each county in which participating school districts are located. In fiscal year 1999, the District paid \$36,186 to LEECA. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Ohio Schools Council - The Ohio Schools Council (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. The Council sponsors an insurance purchasing plan in which the School District participates. Each district supports the Council by paying a one time fee of \$500 and an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board.

Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

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

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(17) Jointly Governed Organizations – (Continued)

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

CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

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

(18) Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal 1999.

The Bay Village City School District has completed an inventory of computer systems and other equipment necessary to conduct District operations and identified such systems as being financial reporting, payroll and grant reporting.

The Lake Erie Education Computer Association State Software Development Team has indicated that:

"The payroll processing software with OCEN Software is compliant with the year 2000, beginning with the September 1997 release of USPS V4.0".

"The accounting software is supported with OCEN State Software will be compliant with the year 2000, beginning with the June 1998 release of USAS V6.1".

"The education management information systems software supported with the OCEN State Software will be compliant with the year 2000, beginning with the September release of EMIS V1.7".

Property tax billing, collecting and remittance for the District is handled by Cuyahoga County. The County is responsible for remediating these systems, and is solely responsible for any costs associated.

First Energy Corporation provides the electric service to the District. The District has not obtained assurances from First Energy Corporation regarding remediating this system. First Energy Corporation is responsible for remediating this system, and is solely responsible for any costs associated.

The City of Cleveland provides water and sewer services to the District and Columbia Gas provides gas service. The City of Cleveland and Columbia Gas are responsible for remediating these systems, and are solely responsible for any additional costs associated.

Bay Village City School District
Notes to the General Purpose Financial Statements
June 30, 1999

(18) Year 2000 Issue – (Continued)

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter, management cannot assure that the District is year 2000 ready and that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 compliant.

(19) Set-Aside Requirements

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 104,250	\$ 104,250
Current Year Set-aside Requirement	319,794	319,794	0	639,588
Current Year Offsets	36,997	0	0	36,997
Qualifying Disbursements	<u>346,391</u>	<u>547,398</u>	<u>0</u>	<u>893,789</u>
Total	<u>\$(63,594)</u>	<u>\$(227,604)</u>	<u>\$104,250</u>	<u>\$(186,948)</u>
Cash balance Carried Forward to FY 1999	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$104,250</u>	<u>\$ 104,250</u>
Total Restricted Assets				<u>\$ 104,250</u>

Although the School District has offsets in qualifying disbursements during the year that reduce the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**BAY VILLAGE CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Program	CFDA #	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department Of Education						
Passed-through Ohio Department of Education						
Special Education Cluster:						
Special Education - Grants to States	84.027	043547 6B-SF 99 P	\$113,120	\$0	\$110,829	\$0
Special Education - Preschool Grants	84.173	043547 PG-S1 99 P	14,196	\$0	19,553	0
Total Special Education Cluster			<u>127,316</u>	<u>0</u>	<u>130,382</u>	<u>0</u>
Title I Grants to						
Local Educational Agencies	84.010	043547 C1-S1 99	64,541	0	102,119	0
Innovative Education						
Program Strategies	84.298	043547 C2-S1 99	12,612	0	12,629	0
Eisenhower Professional						
Development - State Grants	84.281	043547 MS-S1 98/99	14,929	0	1,945	0
Safe and Drug-Free Schools and						
Communities - State Grants	84.186	043547 DR-S1 99	13,051	0	20,229	0
Total United States Department of Education			<u>232,449</u>	<u>0</u>	<u>267,304</u>	<u>0</u>
United States Department Of Agriculture						
Passed-through Ohio Department of Education						
Child Nutrition Cluster:						
National School Lunch Program	10.555	043547 03/04-PU 98/99	44,889	0	44,889	0
Food Distribution Program	10.550	N/A	0	19,599	0	21,437
Total Nutrition Cluster / Total United States Department of Agriculture			<u>44,889</u>	<u>19,599</u>	<u>44,889</u>	<u>21,437</u>
Total Federal Financial Assistance			<u>\$277,338</u>	<u>\$19,599</u>	<u>\$312,193</u>	<u>\$21,437</u>

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

Bay Village City School District
Notes to the Schedule of Federal Awards Expenditures
For The Year Ended June 30, 1999

Note 1 - Basis of Presentation

The accompanying Schedule of Federal Awards Expenditures (Schedule) includes the federal grant activity of the District and is presented on the basis of cash receipts and disbursements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

Note 2 - National School Lunch Program

Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

Note 3 - Non-cash Receipts and Disbursements

Nonmonetary assistance received from the U.S. Department of Agriculture is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 1999, the District had food commodities valued at \$2,415 in inventory.

N/A - Not applicable

CFDA - Catalog of Federal Domestic Assistance



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Cleveland, Ohio 44113
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800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

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

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

We have audited the financial statements of the Bay Village City School District, Cuyahoga County, Ohio, (District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, *noncompliance with which could have a direct and material effect on the determination of financial statement amounts*. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 13, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 13, 1999.

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

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

JIM PETRO
Auditor of State

December 13, 1999



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

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

Compliance

We have audited the compliance of the Bay Village City School District, Cuyahoga County, Ohio, (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 13, 1999.

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



JIM PETRO
Auditor of State

December 13, 1999

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

June 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education - Grants to States CFDA 84.027 Special Education - Preschool Grants CFDA 84.173 Title I - CFDA 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: **JAN 11 2000**