



Dave Yost • Auditor of State

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay Village City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bay Village City School District, Cuyahoga County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Districts, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this statements schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2014

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BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

The discussion and analysis of Bay Village City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position increased by \$ 1,326,367.
- Revenues for governmental activities totaled \$ 35,961,747 in 2013. Of this total, 89.1 percent consisted of General revenues while Program revenues accounted for the balance of 10.9 percent.
- Program expenses totaled \$ 34,635,380. Instructional expenses made up 51.7 percent of this total while support services accounted for 35.7 percent. Other expenses rounded out the remaining 12.6 percent.
- Outstanding general obligation bonded debt increased to \$ 29,940,256 from \$ 13,871,747 in 2013.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

Governmental Funds

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

The School District as a Whole

You may recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1
Net Position
Governmental Activities

	2013	2012 Restated
Assets		
Current and other assets	\$ 59,571,447	\$ 37,715,444
Capital assets, net	29,538,370	27,888,311
Total assets	89,109,817	65,603,755
Liabilities		
Current liabilities and other liabilities	5,709,257	4,115,718
Long term liabilities		
Due within one year	1,954,878	1,462,834
Due in more than one year	33,491,582	17,826,285
Total liabilities	41,155,717	23,404,837
Deferred inflows of resources	25,257,252	20,828,437
Net position		
Net investment in capital assets	12,931,322	12,033,404
Restricted	4,637,688	3,992,220
Unrestricted	5,127,838	5,344,857
Total net position	\$ 22,696,848	\$ 21,370,481

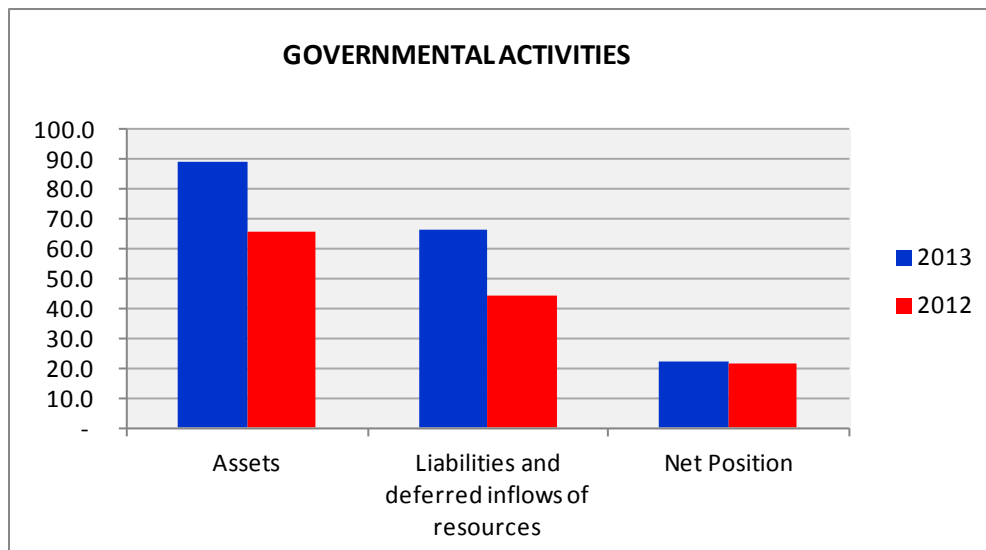
BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

Graph 1
Governmental Activities
(in millions)

	2013	2012
Assets	\$ 89.1	\$ 65.6
Liabilities and deferred inflows of resources	66.4	44.2
Net Position	<u>\$ 22.7</u>	<u>\$ 21.4</u>



Total assets increased by \$ 23,506,062. The most significant asset change was an increase in equity in pooled cash of \$ 17,799,212 along with increases in taxes receivables of \$ 4,005,818 and net capital assets of \$ 1,650,059.

During 2013, total liabilities and deferred inflows of resources increased by \$ 22,179,695. The liabilities had significant increases in the accounts and contracts payable of \$ 1,356,802 and long term liabilities of \$ 16,157,341 with an increase in deferred inflows of resources of \$ 4,428,815.

The vast majority of revenue supporting all Governmental activities is general revenue. General revenue totaled \$ 32,054,725 or 89.1 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 3,907,022 or 10.9 percent of total revenue.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

Table 2 shows the changes in net position for fiscal year 2013 compared to fiscal year 2012.

Table 2
Governmental Activities

	2013	2012
Revenues		
Program Revenue		
Charges for services and sales	\$ 2,450,371	\$ 2,407,850
Operating grants, interest and contributions	1,439,451	1,535,546
Capital grants and contributions	17,200	31,713
Total program revenue	3,907,022	3,975,109
General revenue		
Property taxes	23,758,898	22,475,956
Grants and entitlements not restricted for specific purposes	7,894,423	7,619,093
Investment earnings	172,900	188,484
Miscellaneous	228,504	215,845
Total general revenues	32,054,725	30,499,378
Total revenues	35,961,747	34,474,487
Program expenses		
Instruction		
Regular	13,865,429	13,318,572
Special	2,359,657	2,171,041
Vocational	378,129	359,480
Other instruction	1,301,574	1,029,457
Supporting services		
Pupil	3,148,174	3,039,029
Instructional staff	782,800	801,442
Board of education	72,708	29,549
Administration	2,361,295	2,261,116
Fiscal services	1,140,588	760,369
Business	439,453	393,565
Operation and maintenance	3,085,144	2,505,423
Pupil transportation	882,807	812,111
Central services	464,938	388,378
Operation of non-instructional		
Food service operation	852,645	847,170
Community services	792,115	578,834
Day care operations	825,481	857,685
Extracurricular activities		
Academic	85,817	160,262
Sports	834,339	797,225
Co-curricular	212,354	187,300
Interest	749,933	764,952
	34,635,380	32,062,960
Change in net position	\$ 1,326,367	\$ 2,411,527

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

Governmental Activities

The School District is a high performing District that has had excellent support from the community. In November 2010, the community approved a 6.9 mill levy on the first attempt which generated approximately 3.4 million dollars annually. The School District is committed to limit future expenditure amounts in the 3% to 4% annual range.

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

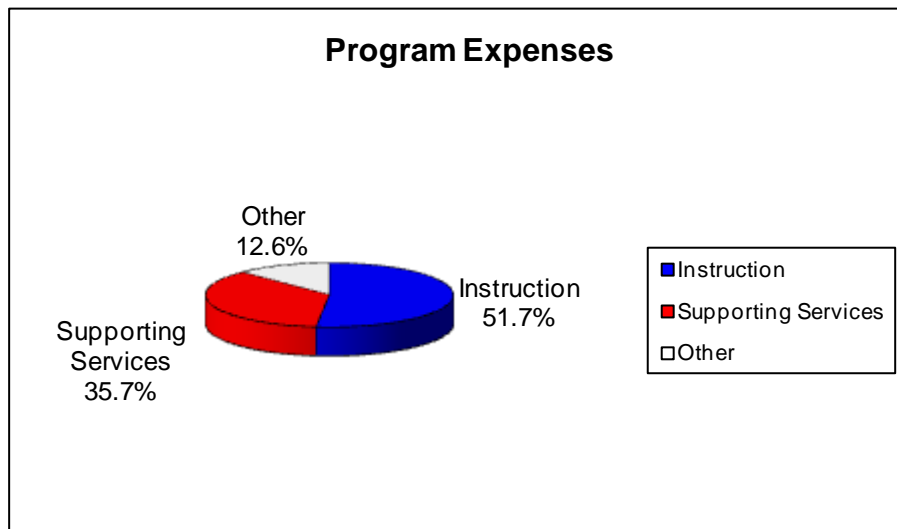
As one can see, approximately 51.7 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 35.7 percent. The remaining amount of program expenses, roughly 12.6 percent, is budgeted to facilitate other obligations of the School District such as interest and numerous extracurricular activities.

Actual expenses were consistent with annual budget expectations and the School District exhibited an increase in net position in 2013 of \$ 1,326,367.

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

Graph #2
Program Expenses
(in millions)

Instruction	\$	17.9
Supporting Services		12.4
Other		4.3
Total	\$	<u>34.6</u>



BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

Table 3
Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013
	<u>2013</u>	<u>2013</u>
Governmental activities		
Instruction		
Regular	\$ 13,865,429	\$ (13,436,407)
Special	2,359,657	(2,202,960)
Vocational	378,129	(378,129)
Other instruction	1,301,574	(1,301,574)
Supporting services		
Pupil	3,148,174	(2,664,518)
Instructional staff	782,800	(780,350)
Board of education	72,708	(72,708)
Administration	2,361,295	(2,270,146)
Fiscal services	1,140,588	(1,080,588)
Business	439,453	(439,453)
Operation and maintenance	3,085,144	(3,070,674)
Pupil transportation	882,807	(882,807)
Central services	464,938	(464,938)
Operation of non-instructional		
Food service operation	852,645	(132,073)
Community services	792,115	(236,381)
Day care operations	825,481	49,817
Extracurricular activities		
Academic	85,817	(56,027)
Sports	834,339	(475,470)
Co-curricular	212,354	(83,039)
Interest	749,933	(749,933)
Totals	<u>\$ 34,635,380</u>	<u>\$ (30,728,358)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 66.1 percent of revenues came from local property taxes. Grant and entitlements not restricted to specific programs make up 21.9 percent of revenue, while investment and other miscellaneous type revenues make up 1.1 percent. Program revenues only account for 10.9 percent of all governmental revenues.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

Clearly, the Bay Village community is by far the greatest source of financial support for the students of the Bay Village City Schools.

School District's Funds

Information regarding the School District's major funds can be found on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 36,087,591 and expenditures of \$ 36,893,265. The School District's most significant fund, the General Fund, had a net change in fund balance for the year of \$ 898,557.

General Fund Budgeting Highlights

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

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

For the General Fund, the final budget basis revenue estimates totaled \$ 29,257,190; this was less than the actual amount of \$ 30,220,611 by \$ 963,421. The main difference between the budget estimates and actual was due to a conservative estimate for property tax receipts and intergovernmental revenue. The budget basis expense estimate totaled \$ 31,466,880 which was more than the actual expenditure amount of \$ 29,991,215 by \$ 1,475,665. This difference was primarily due to changes in staffing costs throughout the year.

The General Fund unencumbered ending cash balance totaled \$ 8,830,038 which was above the original and final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$ 29,538,370 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. Table 4 shows fiscal 2013 values compared to 2012.

Table 4
Capital Assets at June 30
Governmental Activities

	2013	2012
Land	\$ 617,400	\$ 617,400
Construction in process	1,694,718	200,117
Buildings and improvements	26,590,261	26,429,616
Furniture and equipment	427,980	395,078
Vehicles	208,011	246,100
Total capital assets	<u>\$ 29,538,370</u>	<u>\$ 27,888,311</u>

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

All capital assets, except land and construction in progress, are reported net of depreciation. As one can see, capital assets increased during the fiscal year which was the result of the beginning of construction projects related to the school improvement levy passed in 2012. For additional capital assets information, see Note 7 of the notes to the basic financial statements.

Debt

At June 30, 2013, the School District had \$ 29,940,256 in bonds outstanding. Table 5 summarizes the School District's bonds outstanding.

Table 5
Long Term Bonds at June 30
Governmental Activities

	2013	2012
School improvement refunding bonds 2006 4.0% matures 2025	\$ 11,895,000	\$ 12,740,000
School improvement capital appreciation bonds and accretion interest 2006, 12.69%, 2013, 2014 maturity	1,245,256	1,131,747
School improvement bond 2013 3.0%-4.0%, matures 2037	16,800,000	-
Total bonds	<u>\$ 29,940,256</u>	<u>\$ 13,871,747</u>

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

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

School District Outlook

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

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

UNAUDITED

Although the School District relies heavily on its property taxpayers to support its operations, the community support of the schools is quite strong. The Bay Village voters passed an incremental tax levy for 5.5 mills in November 2003 which helps fund the general operations and permanent improvements of the School District. In November 2006, the District passed a 5.75 mill operating levy for the purpose of current expenses. As recent as November 2010, the District passed a 6.9 mill levy for the purpose of current expenses. The five year forecast reflects a balance over \$2,000,000 entering the 2016 fiscal year. The School District has communicated to the community they rely upon their support for the majority of its operations, and will continue to work diligently to plan expenses, staying carefully within the School District's financial five-year plan. The community also realizes the income generated by local levies remains relatively constant, therefore, forcing the School District to come back to the voters from time to time to ask for additional support.

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

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

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

Contacting the School District's Financial Management

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

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BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
Assets	
Equity in pooled cash	\$ 30,882,069
Accounts receivable	2,195
Due from other governments	65,388
Accrued interest receivable	4,615
Inventories and supplies	37,401
Prepaid expenses	1,511
Taxes receivable	28,578,268
Capital assets	
Nondepreciable capital assets	2,312,118
Depreciable capital assets, net	27,226,252
Total assets	89,109,817
Liabilities	
Accounts and contracts payable	1,638,503
Accrued salaries, wages and benefits	2,624,145
Due to other governments	651,603
Accrued interest payable	102,660
Unamortized bond premium	692,346
Long term liabilities	
Due within one year	1,954,878
Due in more than one year	33,491,582
Total liabilities	41,155,717
Deferred inflows of resources	
Property taxes	24,897,827
Unavailable - other	23,701
Deferral on refunding	335,724
Total deferred inflows of resources	25,257,252
Net position	
Net investment in capital assets	12,931,322
Restricted for:	
Capital projects	30,050
Debt service	4,479,578
Federal/State grants	68,579
Other purposes	59,481
Unrestricted	5,127,838
Total net position	\$ 22,696,848

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction					
Regular	\$ 13,865,429	\$ 419,493	\$ 2,329	\$ 7,200	\$ (13,436,407)
Special	2,359,657	-	156,697	-	(2,202,960)
Vocational	378,129	-	-	-	(378,129)
Other instruction	1,301,574	-	-	-	(1,301,574)
Supporting services					
Pupil	3,148,174	29,529	454,127	-	(2,664,518)
Instructional staff	782,800	-	2,450	-	(780,350)
Board of education	72,708	-	-	-	(72,708)
Administration	2,361,295	-	91,149	-	(2,270,146)
Fiscal services	1,140,588	-	60,000	-	(1,080,588)
Business	439,453	-	-	-	(439,453)
Operation and maintenance	3,085,144	-	4,470	10,000	(3,070,674)
Pupil transportation	882,807	-	-	-	(882,807)
Central services	464,938	-	-	-	(464,938)
Operation of non-instructional					
Food service operation	852,645	622,030	98,542	-	(132,073)
Community services	792,115	-	555,734	-	(236,381)
Day care operations	825,481	861,345	13,953	-	49,817
Extracurricular activities					
Academic	85,817	29,790	-	-	(56,027)
Sports	834,339	358,869	-	-	(475,470)
Co-curricular	212,354	129,315	-	-	(83,039)
Interest	749,933	-	-	-	(749,933)
Totals	<u>\$ 34,635,380</u>	<u>\$ 2,450,371</u>	<u>\$ 1,439,451</u>	<u>\$ 17,200</u>	<u>(30,728,358)</u>

General revenues	
Property taxes levied for:	
General purpose	21,924,559
Debt service	1,834,339
Grants and entitlements not restricted to specific purposes	7,894,423
Investment earnings	172,900
Miscellaneous	228,504
Total general revenues	<u>32,054,725</u>
Change in net position	1,326,367
Net position at beginning of year, restated	21,370,481
Net position at end of year	<u>\$ 22,696,848</u>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

BALANCE SHEET –
GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflow s of resources					
Assets					
Equity in pooled cash	\$ 10,259,941	\$ 3,933,034	\$ 16,411,786	\$ 277,308	\$ 30,882,069
Receivables, net of allow ance					
Taxes	26,144,702	2,433,566	-	-	28,578,268
Accounts and other	2,195	-	-	-	2,195
Accrued interest receivable	-	-	4,615	-	4,615
Due from other governments	60,283	-	-	5,105	65,388
Interfund receivable	13,652	222,500	-	-	236,152
Inventories and supplies	26,507	-	-	10,894	37,401
Prepaid expenses	1,511	-	-	-	1,511
Total assets	<u>36,508,791</u>	<u>6,589,100</u>	<u>16,416,401</u>	<u>293,307</u>	<u>59,807,599</u>
Total assets and deferred outflow s of resources	<u>\$ 36,508,791</u>	<u>\$ 6,589,100</u>	<u>\$ 16,416,401</u>	<u>\$ 293,307</u>	<u>\$ 59,807,599</u>
Liabilities, deferred inflow s of resources and fund balance					
Liabilities					
Accounts and contracts payable	\$ 262,612	\$ -	\$ 1,307,786	\$ 68,105	\$ 1,638,503
Accrued wages and benefits	2,594,521	-	-	29,624	2,624,145
Due to other governments	638,277	-	-	13,326	651,603
Interfund payable	-	-	222,500	13,652	236,152
Compensated absences payable	212,345	-	-	19,759	232,104
Total liabilities	<u>3,707,755</u>	<u>-</u>	<u>1,530,286</u>	<u>144,466</u>	<u>5,382,507</u>
Deferred inflow s of resources					
Property taxes	22,788,305	2,109,522	-	-	24,897,827
Unavailable revenue - delinquent property taxes	574,521	53,509	-	-	628,030
Unavailable revenue - other	696	-	4,615	23,005	28,316
Total deferred inflow s of resources	<u>23,363,522</u>	<u>2,163,031</u>	<u>4,615</u>	<u>23,005</u>	<u>25,554,173</u>
Fund balances					
Nonspendable	28,018	-	-	10,894	38,912
Restricted	60,861	4,426,069	14,881,500	147,216	19,515,646
Assigned	1,166,491	-	-	-	1,166,491
Unassigned (deficit)	8,182,144	-	-	(32,274)	8,149,870
Total fund balances	<u>9,437,514</u>	<u>4,426,069</u>	<u>14,881,500</u>	<u>125,836</u>	<u>28,870,919</u>
Total liabilities, deferred inflow s of resources and fund balances	<u>\$ 36,508,791</u>	<u>\$ 6,589,100</u>	<u>\$ 16,416,401</u>	<u>\$ 293,307</u>	<u>\$ 59,807,599</u>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

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

JUNE 30, 2013

Total governmental funds balances	\$ 28,870,919
Amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	29,538,370
Revenues from accrued interest receivable in the statement of activities do not provide current financial resources and therefore are not reported as revenue in the funds.	4,615
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes and deferred charges.	292,306
Long term liabilities and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(3,654,100)
Bonds payable	(29,940,256)
Certificates of Participation	(1,620,000)
Unamortized bond premium	(692,346)
Accrued interest payable	<u>(102,660)</u>
Net position of governmental activities	<u>\$ 22,696,848</u>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 22,077,917	\$ 1,823,603	\$ -	\$ -	\$ 23,901,520
Tuition and fees	1,280,694	-	-	-	1,280,694
Interest	142,951	10,680	1,666	825	156,122
Intergovernmental	7,652,608	270,238	-	1,428,228	9,351,074
Charges for services	1,546	-	-	613,113	614,659
Extracurricular	237,869	-	-	122,199	360,068
Other	343,870	15,500	10,000	54,084	423,454
Total revenues	31,737,455	2,120,021	11,666	2,218,449	36,087,591
Expenditures					
Current					
Instruction					
Regular	13,261,624	-	-	740	13,262,364
Special	2,161,129	-	-	147,000	2,308,129
Vocational	371,066	-	-	-	371,066
Other instruction	1,301,574	-	-	-	1,301,574
Supporting services					
Pupil	2,585,811	-	-	447,475	3,033,286
Instructional staff	753,164	-	-	3,463	756,627
Board of education	72,708	-	-	-	72,708
Administration	2,192,376	-	-	97,295	2,289,671
Fiscal services	771,006	393,566	-	(2,477)	1,162,095
Business	419,264	-	-	-	419,264
Operation and maintenance	2,742,435	-	208,585	16,830	2,967,850
Pupil transportation	828,589	-	-	-	828,589
Central services	455,565	-	-	-	455,565
Operation of non-instructional					
Food service operation	-	-	-	835,104	835,104
Community services	27,409	-	-	715,466	742,875
Day care operations	824,759	-	-	-	824,759
Extracurricular activities					
Academic and subject oriented	271,742	-	-	26,429	298,171
Sports oriented	638,518	-	-	123,542	762,060
Capital outlay	968,528	-	1,657,225	7,200	2,632,953
Debt service					
Principal	110,000	845,000	-	-	955,000
Interest	81,631	521,244	10,680	-	613,555
Total expenditures	30,838,898	1,759,810	1,876,490	2,418,067	36,893,265
Excess (deficiency) of revenues over expenditures	898,557	360,211	(1,864,824)	(199,618)	(805,674)
Other financing sources (uses)					
Transfers-in	-	-	55,180	3,688	58,868
Premium on debt proceeds	-	546,390	-	-	546,390
Proceeds from bonds	-	-	16,800,000	-	16,800,000
Transfers-out	(58,868)	-	-	-	(58,868)
Total other financing sources (uses)	(58,868)	546,390	16,855,180	3,688	17,346,390
Net change in fund balances	839,689	906,601	14,990,356	(195,930)	16,540,716
Fund balances, beginning of year	8,597,825	3,519,468	(108,856)	321,766	12,330,203
Fund balances, end of year	\$ 9,437,514	\$ 4,426,069	\$ 14,881,500	\$ 125,836	\$ 28,870,919

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ 16,540,716

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

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

Capital outlay	\$	2,590,828	
Depreciation expense		(940,769)	
Total			1,650,059

Revenues (delinquent taxes, interest, etc) in the statement of activities that do not
provide current financial resources are not reported as revenues in the funds. (138,007)

The issuance of long term debt (bond, note proceeds) provides current financial
resources to governmental funds, while the repayment of the principal of long
term debt consumes the current financial resources of governmental funds.
Neither transaction, however, has any effect on net position. (16,800,000)

In the statement of activities, interest is accrued on outstanding long-term debt,
whereas in governmental funds, an interest expenditure is reported when due. (164,355)

The issuance of long-term debt (e.g. bonds) provide current financial resources to
governmental funds, while the repayment of the principal of long-term debt
consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net position. Also, governmental
funds report the effect of premiums, discounts, and similar items when debt
is first issued, whereas these amounts are amortized in the treatment of
long-term debt and related items. 448,750

Some expenses, compensated absences, reported in the statement of activities, do
not require the use of current financial resources and therefore are not reported
as expenditures in the governmental funds. (210,796)

Change in net position of governmental activities \$ 1,326,367

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 22,540,030	\$ 22,118,910	\$ 22,130,738	\$ 11,828
Tuition and fees	34,090	57,000	197,248	140,248
Interest	71,768	120,000	135,753	15,753
Intergovernmental	6,576,456	6,881,280	7,578,372	697,092
Other	47,845	80,000	178,500	98,500
Total revenues	<u>29,270,190</u>	<u>29,257,190</u>	<u>30,220,611</u>	<u>963,421</u>
Expenditures				
Current				
Instruction				
Regular	13,457,131	13,388,431	13,082,499	305,932
Special	2,166,158	2,166,958	2,158,127	8,831
Vocational	351,241	376,141	370,736	5,405
Other instruction	1,275,063	1,332,063	1,322,254	9,809
Supporting services				
Pupil	2,373,434	2,487,934	2,482,232	5,702
Instructional staff	908,469	833,469	755,765	77,704
Board of education	31,044	33,944	33,176	768
Administration	2,260,014	2,240,615	2,192,275	48,340
Fiscal services	737,668	778,668	759,576	19,092
Business	434,372	437,372	434,580	2,792
Operation and maintenance	3,224,061	3,221,061	2,872,691	348,370
Pupil transportation	1,039,481	1,039,481	851,864	187,617
Central services	646,130	646,130	439,976	206,154
Operation of non-instructional				
Community services	50,286	50,286	13,236	37,050
Extracurricular activities				
Academic and subject oriented	348,012	241,712	150,661	91,051
Sports oriented	406,036	512,336	493,609	18,727
Capital outlay	1,433,468	1,433,468	1,331,147	102,321
Debt service				
Principal	154,500	154,500	154,500	-
Interest	92,311	92,311	92,311	-
Total expenditures	<u>31,388,879</u>	<u>31,466,880</u>	<u>29,991,215</u>	<u>1,475,665</u>
Excess (deficiency) of revenues over expenditures	<u>(2,118,689)</u>	<u>(2,209,690)</u>	<u>229,396</u>	<u>2,439,086</u>
Other financing sources (uses)				
Contingencies	250,000	(151,000)	-	151,000
Advances-in	-	13,000	12,409	(591)
Advances-out	-	(13,652)	(13,652)	-
Transfers-out	-	(7,348)	(3,688)	3,660
Total other financing sources (uses)	<u>250,000</u>	<u>(159,000)</u>	<u>(4,931)</u>	<u>154,069</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(1,868,689)</u>	<u>(2,368,690)</u>	<u>224,465</u>	<u>2,593,155</u>
Fund balance, beginning of year	7,435,566	7,435,566	7,435,566	-
Prior year encumbrances	1,170,007	1,170,007	1,170,007	-
Fund balance, end of year	<u>\$ 6,736,884</u>	<u>\$ 6,236,883</u>	<u>\$ 8,830,038</u>	<u>\$ 2,593,155</u>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY

STATEMENT OF FIDUCIARY NET POSITION -
 FIDUCIARY FUNDS

JUNE 30, 2013

	Private Purpose Trust Scholarship Fund	Agency Funds
Assets		
Equity in pooled cash	\$ 28,900	\$ 126,013
Interest receivable	40	-
Total assets	28,940	126,013
Liabilities		
Accounts payable	-	2,082
Due to others	-	30,664
Due to students	-	93,267
Total liabilities	-	\$ 126,013
Net position		
Held in trust for scholarships	\$ 28,940	

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Scholarship Fund</u>
Additions	
Interest	\$ 24
Deductions	<u> 45</u>
Change in net position	(21)
Net position, beginning of year	<u> 28,961</u>
Net position, end of year	<u><u> \$ 28,940</u></u>

See the accompanying notes to the basic financial statements.

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BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Bay Village City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2012 was 2,476. The District employs 214 certificated and 186 non-certificated employees.

REPORTING ENTITY

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Within the District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity of the District.

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

The District is associated with the North Coast Council Ohio, the Suburban Health Consortium, the Bay Village Education Foundation, and the Ohio Schools Council, which are considered to be jointly governed organizations. The District participates in a public risk pool managed by the Ohio Schools Boards Association Workers' Compensation Group Rating Program, see Note 10. The District also has a joint operating agreement with the City of Bay Village for constructing, equipping and furnishing a community gymnasium. These organizations and their relationships with the District are described in more detail in Note 15 and 16 to these basic financial statements.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

C. FUND ACCOUNTING

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

Governmental Funds

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

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.

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.

Building Fund – the building fund is used to account for the construction and renovations of school buildings and facilities.

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

Fiduciary Funds

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

D. MEASUREMENT FOCUS

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

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

E. BASIS OF ACCOUNTING

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Revenues - Exchange and Non-Exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2013, the District did not have these types of transactions.

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, unavailable revenues and deferred charges from the issuance of debt. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. The amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on both the statement of net position and governmental funds balance sheet and represents receivables which have been collected for fiscal year 2014. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenditures/Expenses

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS

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

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

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

G. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio) or other short term investments. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$ 142,951 of which \$ 92,450 was credited from other funds. During fiscal year 2013, investments were limited to STAR Ohio, certificates of deposit, commercial paper, and money markets.

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

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, 2013.

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. INVENTORY

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

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

I. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

J. PREPAID EXPENSE

Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the period amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

K. CAPITAL ASSETS

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

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

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

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

L. INTERFUND BALANCES

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

N. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

O. NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net position reports \$ 4,637,688 of net position restricted, of which \$ 4,479,578 is restricted by enabling legislation. Net position restricted for other purposes include other grants and rotary funds.

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

P. FUND BALANCE

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. FUND BALANCE (continued)

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

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

Q. INTERFUND TRANSACTIONS

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

R. ESTIMATES

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

For fiscal year 2013, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60 “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61 “The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34,” Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and Statement No. 65 “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements.” The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the District. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61, “The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34.” The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the District. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the District. The District’s financial statements have been updated to reflect the implementation of this standard.

GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions.” The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the District. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.” This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT (continued)

In prior periods, the District had reported assets related to unamortized debt issuance costs in the Governmental Activities entity wide financial statements. GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement No. 65 requires a restatement of prior period's net position as follows:

	Governmental Activities
Net Position, June 30, 2012	\$ 21,528,588
Unamortized debt issuance costs	(158,107)
Restated Net Position, June 30, 2012	\$ 21,370,481

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Some funds are included in the general fund (GAAP basis), but have a separate legally adopted budget (budget basis).

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 224,465
Adjustments, increase (decrease)	
Revenue accruals	(71,477)
Expenditure accruals	(67,466)
Encumbrances	684,442
Funds budgeted separately	69,725
GAAP basis, as reported	\$ 839,689

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District may not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the District's deposits was \$ 24,685,895 and the bank balance was \$ 24,843,139. Of the bank balance, \$ 5,380,103 was covered by federal depository insurance. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

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

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2013, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
Investment in State Treasurer's Investment Pool	n/a	\$ 354,572
Money Market Investment	n/a	1,695
Commercial paper	12/24/2013	5,993,550
		<u>\$ 6,349,817</u>

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

D. INTEREST RATE RISK

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

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2013, the District's investments in STAR Ohio were rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

F. CONCENTRATION OF CREDIT RISK

The District places no limit on the amount that may be invested in any one issuer. The District's allocation as of June 30, 2013 was 5.58 percent invested in STAR Ohio, 0.03 percent invested in money markets and 94.39 percent invested in commercial paper.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes for 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2013 were levied after April 1, 2012, on the assessed values as of December 31, 2011, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5 - PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar 2013 (other than public utility property tax) represents the collection of 2013 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after October 1, 2012, on the value as of December 31, 2012. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however this year the settlement was late.

The District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2013 operations. The receivable is therefore offset by a credit to deferred inflows of resources – property taxes for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2013, was \$ 2,781,876 in the General Fund and \$ 270,535 in the Debt Service Fund. The amount available as an advance at June 30, 2012, was \$ 2,834,697 in the General Fund and \$ 166,569 in the Debt Service Fund. The difference was in the timing and collection by the County Auditor.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second - Half Collections			2013 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential and Other Real Estate	\$ 490,894,290	98.70	%	\$ 487,856,040	98.51 %
Public Utilities	6,461,640	1.30		7,362,210	1.49
Total Assessed Value	<u>\$ 497,355,930</u>	<u>100.00</u>	%	<u>\$ 495,218,250</u>	<u>100.00</u> %
Tax rate per \$1,000 of assessed valuation	<u>\$ 107.95</u>			<u>\$ 109.91</u>	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2013, consisted of taxes, accounts and other, and interfund. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 617,400	\$ -	\$ -	\$ 617,400
Construction in progress	200,117	1,694,718	200,117	1,694,718
	<u>817,517</u>	<u>1,694,718</u>	<u>200,117</u>	<u>2,312,118</u>
Depreciable capital assets				
Buildings and improvements	40,163,356	954,344	-	41,117,700
Furniture and equipment	1,420,061	140,475	59,926	1,500,610
Vehicles	1,344,714	22,292	-	1,367,006
Total capital assets being depreciated	<u>42,928,131</u>	<u>1,117,111</u>	<u>59,926</u>	<u>43,985,316</u>
Less accumulated depreciation				
Buildings and improvements	13,733,740	793,699	-	14,527,439
Furniture and equipment	1,024,983	86,689	39,042	1,072,630
Vehicles	1,098,614	60,381	-	1,158,995
Total accumulated depreciation	<u>15,857,337</u>	<u>940,769</u>	<u>39,042</u>	<u>16,759,064</u>
Depreciable capital assets, net of accumulated depreciation	<u>27,070,794</u>	<u>176,342</u>	<u>20,884</u>	<u>27,226,252</u>
Governmental activities capital assets, net	<u>\$ 27,888,311</u>	<u>\$ 1,871,060</u>	<u>\$ 221,001</u>	<u>\$ 29,538,370</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 413,850
Special	37,475
Vocational	651
Supporting services	
Pupil	134,170
Instructional staff	35,301
Administration	67,807
Fiscal services	2,240
Business	4,272
Operation and maintenance	96,226
Pupil transportation	45,697
Central services	1,494
Operation of non-instructional services	
Food service operation	18,309
Community services	11,135
Extracurricular activities	
Sports oriented	72,142
Total depreciation expense	<u>\$ 940,769</u>

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8 - INTERFUND ASSETS/LIABILITIES

On the fund financial statements at June 30, 2013, interfund balances consisted of the following:

Fund	Receivable	Payable
General Fund	\$ 13,652	\$ -
Debt Service Fund	222,500	-
Building Fund		222,500
Non-major Funds:		
Title VIB	-	8,013
Title I	-	2,860
EHA Preschool	-	2,779
Total	<u>\$ 236,152</u>	<u>\$ 236,152</u>

These amounts are represented as "Interfund Receivable/Payable" on the balance sheet. The \$ 222,500 interfund transaction between the Debt Service Fund and Capital Projects Fund is a manuscript bond. The manuscript bond is not expected to be repaid in one year.

NOTE 9 – FUND BALANCE

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

Fund Balance	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total
Nonspendable					
Prepays	\$ 1,511	\$ -	\$ -	\$ -	\$ 1,511
Inventory	26,507	-	-	10,894	37,401
Total nonspendable	<u>28,018</u>	<u>-</u>	<u>-</u>	<u>10,894</u>	<u>38,912</u>
Restricted for					
Uniform supplies	60,861	-	-	-	60,861
Debt service	-	4,426,069	-	-	4,426,069
Capital projects	-	-	14,881,500	-	14,881,500
Community gym	-	-	-	30,050	30,050
Food service	-	-	-	9,681	9,681
Other grants	-	-	-	10,320	10,320
Athletics	-	-	-	28,586	28,586
State grants	-	-	-	68,579	68,579
Total restricted	<u>60,861</u>	<u>4,426,069</u>	<u>14,881,500</u>	<u>147,216</u>	<u>19,515,646</u>
Assigned					
Encumbrances	585,848	-	-	-	585,848
Other purposes	580,643	-	-	-	580,643
	<u>1,166,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,166,491</u>
Unassigned (deficit)	<u>8,182,144</u>	<u>-</u>	<u>-</u>	<u>(32,274)</u>	<u>8,149,870</u>
Total fund balance	<u>\$ 9,437,514</u>	<u>\$ 4,426,069</u>	<u>\$ 14,881,500</u>	<u>\$ 125,836</u>	<u>\$ 28,870,919</u>

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 10 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the District contracted with the following companies:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount</u>	<u>Deductible</u>
Ohio Casualty	Building and contents at replacement value	\$ 95,410,687	\$ 1,000
	Boiler & Machinery at replacement value	-	1,000
	General liability each occurrence	4,000,000	N/A
	personal injury	4,000,000	2,500
	general aggregate	6,000,000	N/A
	Automotive liability	4,000,000	1,000
	Uninsured motorist	250,000	N/A
	Errors and omissions	4,000,000	2,500

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

B. WORKERS' COMPENSATION

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

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

C. EMPLOYEE MEDICAL BENEFITS

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

The District participates in the Suburban Health Consortium (the Consortium), a shared risk pool (Note 15), to provide group health, life, dental and/or other insurance coverages. Consortium Member premium rates are set or determined by the Board of Directors. To the extent and in the manner permitted by any applicable agreements, policies, rules, regulations and laws, each Consortium Member may require contributions from its employees toward the cost of any benefit program being offered by the Consortium Member, and such contributions shall be included in the payments from such Consortium premium to the Consortium. Because the District is a member of the Consortium and the Consortium holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual districts, IBNR information is not available on a district-by-district basis.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$ 720,645, \$ 699,964, and \$ 561,270, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$ 1,868,078, \$ 1,829,663 and \$ 1,529,558, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$ 104.90 for most participants, but could be as high as \$ 335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is 0.74 percent. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$ 38,091, \$ 37,998, and \$ 36,119, respectively, 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

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

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is 0.16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$ 20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$ 8,236, \$ 71,496, and \$ 67,691, respectively. 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$ 143,698, \$ 140,743, and \$ 143,111, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2013 were as follows:

	<u>Outstanding June 30, 2012</u>	<u>Additions</u>	<u>Retired</u>	<u>Outstanding June 30, 2013</u>	<u>Amounts Due In One Year</u>
School improvement refunding bond 2006 4.0%, matures 2025	\$ 12,740,000	\$ -	\$ 845,000	\$ 11,895,000	\$ -
Capital appreciation bonds 2006 12.69%, matures 2013, 2014	704,984	-	-	704,984	375,162
Accretion interest	426,763	113,509	-	540,272	504,838
School improvement bond 2013 3.0% - 4.0%, matures 2037	-	16,800,000	-	16,800,000	500,000
Total bonds	<u>13,871,747</u>	<u>16,913,509</u>	<u>845,000</u>	<u>29,940,256</u>	<u>1,380,000</u>
Certificates of Participation 2004, 3.158% - 5.339%, matures 2023	1,730,000	-	110,000	1,620,000	115,000
Compensated absences	3,687,372	976,053	777,221	3,886,204	459,878
	<u>\$ 19,289,119</u>	<u>\$ 17,889,562</u>	<u>\$ 1,732,221</u>	<u>\$ 35,446,460</u>	<u>\$ 1,954,878</u>

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

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

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

The amount of bonds issued in 2006 was \$ 14,734,984. The general obligation bonds included serial, term and capital appreciation bonds. The present value reported in the Statement of Net Position at June 30, 2013 was \$ 13,140,256. The accreted interest of \$ 540,272 has been included in the Statement of Net Position at June 30, 2013. This year the addition of these bonds was \$ 113,509 which represents the increase in accretion of interest. The final amount of these bonds will be \$ 1,755,000 payable through December 2014.

In 2013, the District issued general obligation bonds in the amount of \$16,800,000 for the construction and renovation of the Districts buildings and facilities. The bonds mature December 1, 2037.

The District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments. On the old bonds, accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2013, \$ 13,345,000 of bonds outstanding are considered defeased.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2013, were as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ 1,380,000	\$ 1,098,499	\$ 2,478,499
2015	875,256	1,034,518	1,909,774
2016	1,400,000	996,318	2,396,318
2017	1,435,000	939,618	2,374,618
2018	1,485,000	880,031	2,365,031
2019-2023	8,185,000	3,469,100	11,654,100
2024-2028	7,035,000	1,828,937	8,863,937
2029-2033	3,745,000	1,040,218	4,785,218
2034-2038	4,400,000	384,557	4,784,557
	<u>\$ 29,940,256</u>	<u>\$ 11,671,796</u>	<u>\$ 41,612,052</u>

Principal and interest required to retire the certificate of participation at June 30, 2013, were as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ 115,000	\$ 77,481	\$ 192,481
2015	120,000	72,024	192,024
2016	125,000	65,287	190,287
2017	130,000	58,275	188,275
2018	140,000	50,937	190,937
2019-2023	805,000	176,906	981,906
2024	185,000	16,424	201,424
	<u>\$ 1,620,000</u>	<u>\$ 517,334</u>	<u>\$ 2,137,334</u>

Bonds payable will be repaid from the Debt Service Fund and the certificates of participation will be repaid from the General Fund. Compensated absences will be paid from the General Fund, Food Service Fund or Daycare Center Special Rotary Fund.

NOTE 14 - SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital maintenance. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for capital maintenance during fiscal year 2013.

	Capital Maintenance
Balance, July 1, 2012	\$ -
Required set aside	429,190
Qualifying expenditures	(2,468,786)
Balance June 30, 2013	<u>\$ (2,039,596)</u>
Carry forward at June 30, 2013	<u>\$ -</u>

Expenditures and offset credits for capital maintenance during the year were \$ 2,039,596 which exceeded the required set-aside.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. NORTH COAST COUNCIL OHIO

The North Coast Council Ohio ("NCCO") is a jointly governed organization comprised of 31 school districts. NCCO was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Each of the governments of these districts supports NCCO based upon a per pupil charge, dependent upon the software package utilized. The NCCO assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. NCCO is governed by a board of directors chosen from the general membership of the NCCO assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Fiscal information for NCCO is available from the Treasurer of the Educational Service Center of Cuyahoga County (fiscal agent), located at 5700 West Canal, Valley View, Ohio 44125. During the year ended June 30, 2013, the District paid \$ 109,408 to NCCO for basic service charges.

B. SUBURBAN HEALTH CONSORTIUM

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

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

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. SUBURBAN HEALTH CONSORTIUM (continued)

Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal, a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of Orange City School District (the fiscal agent) at 32000 Chagrin Blvd., Pepper Pike, Ohio 44124.

C. BAY VILLAGE EDUCATION FOUNDATION

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

D. OHIO SCHOOLS COUNCIL

The Ohio Schools' Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Associations. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2013, the District paid \$ 60,824 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Bay Village City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 16 - COMMUNITY GYMNASIUM JOINT OPERATING AGREEMENT

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

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

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

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

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

NOTE 17 - INTERFUND TRANSFERS

During the year ended June 30, 2013, the General Fund transferred \$ 3,688 to the Community Gym Fund to subsidize improvements and expenditures and \$ 55,180 to the Building Fund to pay principal and interest on the manuscript debt.

NOTE 18 - DEFICIT FUND BALANCE

On June 30, 2013, the Title I Fund had a deficit balance of \$ 2,344, the Fiscal Stabilization Fund had a deficit balance of \$ 19,759, the IDEA Fund had a deficit fund balance of \$ 7,207 and the EHA Preschool Fund had a deficit balance of \$ 2,964. The General Fund is liable for deficits in the funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 19 – CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

NOTE 20 – CONSTRUCTION COMMITMENTS

At June 30, 2013, the District had contractual commitments for renovations as follows:

	Contracted Amount	Expended	Remaining Liability
HS athletics fields	\$ 185,924	\$ 185,924	\$ -
District renovations	3,792,360	967,439	2,824,921
	<u>\$ 3,978,284</u>	<u>\$ 1,153,363</u>	<u>\$ 2,824,921</u>

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education:</i>						
National School Lunch Program	2013	10.555	\$ 92,738	\$ 28,461	\$ 92,738	\$ 28,461
Total U.S. Department of Agriculture			<u>92,738</u>	<u>28,461</u>	<u>92,738</u>	<u>28,461</u>
U.S. Department of Education						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education-Grants to States	2012	84.027	520,595	0	516,415	0
Special Education-Grants to States	2013	84.027	0	0	5,636	0
			<u>520,595</u>	<u>0</u>	<u>522,051</u>	<u>0</u>
Special Education-Preschool Grants	2013	84.173	13,564	0	16,343	0
Total Special Education Cluster			<u>534,159</u>	<u>0</u>	<u>538,394</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2012	84.010	12,409	0	16,922	0
Title I Grants to Local Educational Agencies	2013	84.010	144,290	0	146,021	0
Total Title I Grants to Local Educational Agencies			<u>156,699</u>	<u>0</u>	<u>162,943</u>	<u>0</u>
English Language Acquisition Grants	2012	84.365	2,450	0	2,450	0
English Language Acquisition Grants	2013	84.365	0	0	1,778	0
Total English Language Acquisition Grants			<u>2,450</u>	<u>0</u>	<u>4,228</u>	<u>0</u>
Improving Teacher Quality State Grants	2012	84.367	0	0	1,220	0
Improving Teacher Quality State Grants	2013	84.367	51,150	0	51,150	0
Total Improving Teacher Quality State Grants			<u>51,150</u>	<u>0</u>	<u>52,370</u>	<u>0</u>
Education Jobs Grant	2013	84.410	19,968	0	26,608	0
Total U.S. Department of Education			<u>764,426</u>	<u>0</u>	<u>784,543</u>	<u>0</u>
Total Federal Assistance			<u>\$ 857,164</u>	<u>\$ 28,461</u>	<u>\$ 877,281</u>	<u>\$ 28,461</u>

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

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Bay Village City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bay Village City School District, Cuyahoga County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Bay Village City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Bay Village City School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Bay Village City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2014

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education Grants to States (CFDA# 84.027), and Special Education Preschool Grants (CFDA# 84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Revised Code § 5705.41(D)(1), failure to encumber funds	Partially corrected	Included in the current year management letter due to the number of exceptions in fiscal year 2013.
2012-02	State Fiscal Stabilization; CFDA 84.394 - Cash Management – Noncompliance and Material Weakness	Finding No Longer Valid	This federal program no longer exists at this School District.
2012-03	State Fiscal Stabilization; CFDA 84.394 Period of Availability – Noncompliance, Material Weakness and Questioned Costs	Finding No Longer Valid	This federal program no longer exists at this School District.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Bay Village City School District, Cuyahoga County, Ohio (the District]) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 10, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act"

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2014

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Dave Yost • Auditor of State

BAY VILLAGE CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2014**