



OHIO AUDITOR OF STATE
KEITH FABER



**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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, 2018, 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 such 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, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

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*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 March 15, 2019, 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 "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

March 15, 2019

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BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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 2018 are as follows:

- In total, net position increased by \$ 19,859,736.
- Revenues for governmental activities totaled \$ 41,567,765 in 2018, an increase of \$ 4,301,679 from 2017. Of this total, 89.4 percent consisted of General revenues while Program revenues accounted for the balance of 10.6 percent.
- Program expenses totaled \$ 21,708,029, a decrease of \$ 19,929,634 from 2017. Instructional expenses made up 43.5 percent of this total while support services accounted for 37.8 percent. Other expenses rounded out the remaining 18.7 percent.
- Outstanding general obligation bonded debt decreased to \$ 24,325,000 from \$ 26,030,000 in 2017.

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 2018?" 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 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Debt Service Fund.

BAY VILLAGE CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Funds

All of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provided a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net 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 2018 compared to 2017.

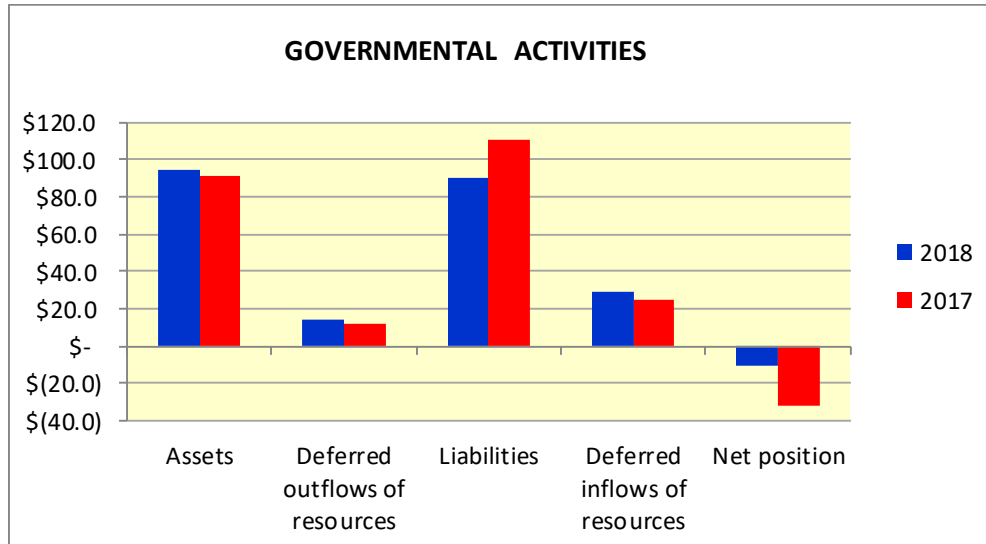
Table 1
Net Position
Governmental Activities

	6/30/2018	Restated 6/30/2017
Assets		
Current and other assets	\$ 53,953,586	\$ 50,550,275
Capital assets		
Nondepreciable capital assets	923,324	700,764
Depreciable capital assets, net	38,027,279	39,549,357
Total assets	92,904,189	90,800,396
Deferred outflows of resources	14,321,153	12,438,188
Liabilities		
Current liabilities	4,298,993	3,774,919
Long term liabilities		
Due within one year	1,941,603	2,016,275
Due in more than one year		
Other amounts	27,802,350	29,424,311
Net pension liability	45,751,742	62,752,728
Net OPEB liability	10,597,667	13,056,183
Total liabilities	90,392,355	111,024,416
Deferred inflows of resources	29,067,094	24,308,011
Net position		
Net investment in capital assets	13,783,988	13,527,995
Restricted	5,922,894	5,618,754
Unrestricted	(31,940,989)	(51,240,592)
Total net position	\$(12,234,107)	\$(32,093,843)

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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems required additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$ 19,139,807) to (\$ 32,093,843).

Total assets increased by \$ 2,103,793. The most significant asset change was an increase in equity in pooled cash of \$ 3,200,462 and taxes receivable of \$ 230,322 along with decreases in net capital assets of \$ 1,299,518. The School District is receiving additional revenue from a new levy approved by the voters in November of 2016. The decrease in net capital assets is due to the disposals and depreciation being greater than capital asset addition.

During 2018, total liabilities decreased by \$ 20,632,061. The liabilities that had significant decreases were long term liabilities due in more than one year of \$ 1,621,961, net pension liability of \$ 17,000,986 and net OPEB liability of \$ 2,458,516. These decreases were offset by increases in accounts and contracts payable of \$ 204,361 and accrued salaries, wages and benefits of \$ 285,924. This significant decrease in total liabilities is predominately due to the net pension/OPEB liability requirements.

To determine the overall financial performance of the School District one must consider the relative changes in the net position. By comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources, one can see that the overall position of the School District has improved as evidenced by the increase in net position of \$ 19,859,736. A change in net position indicates how an entity is providing for future generations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities

Table 2 summarizes the revenue, expenses and changes in net position for fiscal year 2018 compared to fiscal year 2017.

Table 2
Governmental Activities

	<u>2018</u>	<u>2017</u>
Revenues		
Program revenue		
Charges for services and sales	\$ 2,938,106	\$ 3,403,684
Operating grants, interest and contributions	1,485,707	1,569,316
Total program revenue	<u>4,423,813</u>	<u>4,973,000</u>
General revenue		
Property taxes	27,648,924	23,455,856
Grants and entitlements not restricted for specific purposes	8,824,224	8,425,753
Investment earnings	430,807	63,813
Miscellaneous	239,997	347,664
Total general revenues	<u>37,143,952</u>	<u>32,293,086</u>
Total revenues	<u>41,567,765</u>	<u>37,266,086</u>
Program expenses		
Instruction		
Regular	5,581,892	17,785,948
Special	2,762,387	4,893,659
Vocational	834,687	703,778
Other instruction	267,099	299,982
Supporting services		
Pupil	1,063,159	2,397,335
Instructional staff	1,260,745	1,015,998
Board of education	91,193	34,454
Administration	1,204,832	2,805,462
Fiscal services	821,677	1,019,902
Business	165,042	403,832
Operation and maintenance	2,660,355	3,352,256
Pupil transportation	857,654	1,079,598
Central services	79,798	848,437
Operation of non-instructional services		
Food service operation	684,779	753,127
Community services	490,831	1,003,709
Day care operations	1,014,693	1,060,637
Extracurricular activities	1,224,242	1,309,344
Interest	642,964	870,205
Totals	<u>21,708,029</u>	<u>41,637,663</u>
Change in net position	<u>\$19,859,736</u>	<u>\$ (4,371,577)</u>

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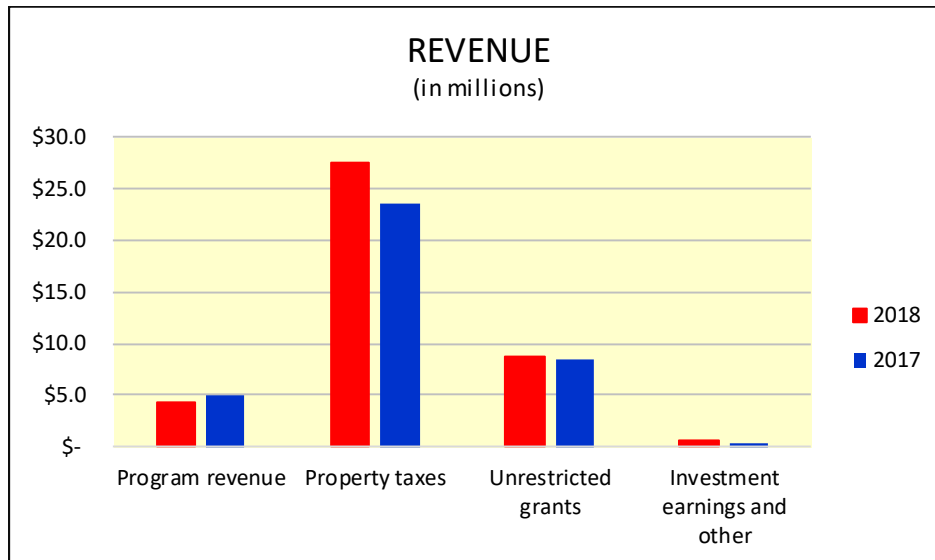
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The information necessary to restate the 2017 beginning valances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$ 102,147 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$ 1,487,464. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 21,708,029
Pension expense under GASB 75	1,487,464
2018 contractually required contribution	<u>125,964</u>
Adjusted 2018 program expenses	23,321,457
Total 2017 program expenses under GASB 45	<u>41,637,663</u>
Decrease in program expenses not related to OPEB	<u>\$ (18,316,206)</u>

The vast majority of revenue supporting all Governmental activities is general revenue. General revenue totaled \$ 37,143,952 or 89.4 percent of the total revenue. The most significant portion of the general revenue is local property tax which was \$ 27,648,924. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 4,423,813 or 10.6 percent of total revenue. Program revenues are derived from fees for services, sales from fund raising activities, operating grants, interest and contributions. 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. The following graph compares fiscal year 2018 revenue categories (program revenue, property taxes, unrestricted grants, and investment earnings and other) to fiscal year 2017.



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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

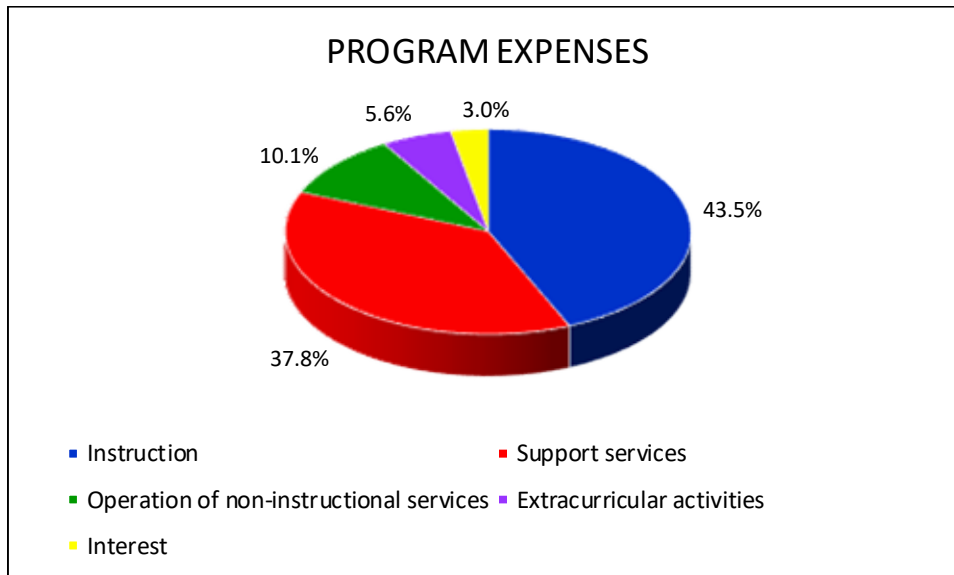
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Clearly, the Bay Village community is by far the greatest source of financial support for the students of the Bay Village City Schools.

The School District is a high performing School District that has had excellent support from the community. In November 2016, the School District passed a 5.9 mill operating levy. This levy is anticipated to generate 3.2 million dollars in additional revenue annually with approximately half of these new funds being received in fiscal year 2017. The second half of this new money was received in fiscal year 2018. The School District is committed to limiting future expenditure increases to the 3% to 4% annual range.

Total program expenses decreased \$ 19,929,634 due to the effects of GASB 68 and GASB 75. The impact of these two GASBs was a net negative expense of \$ 15,417,657 which greatly distorts a comparative analysis between 2018 and 2017 expenses.

As one can see, approximately 43.5 percent of the School District's budget is used to fund instructional expenses compared to 56.9 percent in 2017. Additional supporting services for pupils, staff and business operations encompass an additional 37.8 percent compared to 31.1 percent in 2017. The remaining amount of program expenses, roughly 18.7 percent compared to 12.0 percent in 2017 is budgeted to facilitate other obligations of the School District such as operation of non-instructional services, extracurricular service, and interest. Due to the implementation of GASB 68 and GASB 75, the School District's program expenses are greatly distorted compared to fiscal year 2017.



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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Statement of Activities shows the total net cost of program services. Table 3 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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Governmental activities				
Instruction				
Regular	\$ 5,581,892	\$ 17,785,948	\$ (4,970,443)	\$(16,637,345)
Special	2,762,387	4,893,659	(2,164,284)	(4,215,762)
Vocational	834,687	703,778	(834,687)	(703,778)
Other instruction	267,099	299,982	(267,099)	(299,982)
Supporting services				
Pupil	1,063,159	2,397,335	(1,030,661)	(2,362,883)
Instructional staff	1,260,745	1,015,998	(1,218,013)	(974,757)
Board of education	91,193	34,454	(91,193)	(34,454)
Administration	1,204,832	2,805,462	(1,204,832)	(2,805,462)
Fiscal services	821,677	1,019,902	(821,677)	(1,019,902)
Business	165,042	403,832	(165,042)	(403,832)
Operation and maintenance	2,660,355	3,352,256	(2,660,355)	(3,352,256)
Pupil transportation	857,654	1,079,598	(857,654)	(1,079,598)
Central services	79,798	848,437	(79,798)	(841,237)
Operation of non-instructional services				
Food service operation	684,779	753,127	88,466	(822)
Community services	490,831	1,003,709	219,530	(272,820)
Day care operations	1,014,693	1,060,637	60,828	(46,876)
Extracurricular activities	1,224,242	1,309,344	(644,338)	(742,692)
Interest	642,964	870,205	(642,964)	(870,205)
Totals	<u>\$ 21,708,029</u>	<u>\$ 41,637,663</u>	<u>\$(17,284,216)</u>	<u>\$(36,664,663)</u>

BAY VILLAGE CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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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 excluding other financing sources of \$ 41,482,093 compared to \$ 37,129,002 in fiscal year 2017. The most significant revenue change was an increase of approximately \$ 4 million in property taxes which was the result of the operating levy passed in November 2016. Total expenditures excluding other financing uses were \$ 40,412,358 compared to \$ 39,802,610 in fiscal year 2017, a difference of \$ 609,748. The School District's most significant fund, the General Fund, had an increase in fund balance for the year of \$ 828,402.

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 original budget basis revenue estimates were \$ 34,829,987. The final budget basis revenue estimates totaled \$ 35,171,049; this was less than the actual amount of \$ 36,547,202 by \$ 1,376,153. The main difference between the budget estimates and actual was due to a conservative estimates for taxes and intergovernmental revenue. The original appropriations were \$ 36,555,256. The final budget basis expenditure estimate totaled \$ 37,518,420 which was more than the actual expenditure amount of \$ 35,098,901 by \$ 2,419,519. This difference was primarily due to conservative spending throughout the year.

The General Fund unencumbered ending cash balance totaled \$ 16,203,401 which was above the original and final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$ 38,950,603 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. Table 4 shows fiscal 2018 values compared to 2017.

Table 4
Capital Assets at June 30
Governmental Activities

	2018	2017
Land	\$ 700,764	\$ 700,764
Construction in progress	222,560	-
Buildings and improvements	31,364,968	32,828,582
Furniture and equipment	6,376,579	6,548,862
Vehicles	285,732	171,913
Total capital assets	<u>\$ 38,950,603</u>	<u>\$40,250,121</u>

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FOR THE YEAR ENDED JUNE 30, 2018

UNAUDITED

All capital assets, except land and construction in progress, are reported net of depreciation. As one can see, capital assets decreased during the fiscal year which was the result of depreciation expense being greater than capital asset purchases for the year. For additional capital assets information, see Note 9 of the notes to the basic financial statements.

Debt

At June 30, 2018, the School District had \$ 24,325,000 in bonds outstanding. Table 5 summarizes the School District's bonds outstanding.

Table 5
Long Term Bonds at June 30
Governmental Activities

	2018	2017
School improvement refunding bonds 2006 4.0% matures 2025	\$ -	\$ 285,000
School improvement bond 2013 3.0%-4.0%, matures 2037	14,210,000	14,745,000
Refunding bonds 2015 (COP) 2.18%, matures 2023	1,020,000	1,180,000
Refunding bonds 2016 (SIRB 2006) 2.0%-3.0%, matures 2025	9,095,000	9,820,000
Total bonds	\$ 24,325,000	\$ 26,030,000

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

Other obligations include compensated absences, net pension liability and net OPEB liability. For additional debt obligation information see Note 12 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. 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 make changes to the funding formula for public education.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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 School District passed a 5.75 mill operating levy for the purpose of current expenses. In November 2010, the School District passed a 6.9 mill levy for the purpose of current expenses. Most recently, the School District passed a 5.9 mill operating levy in November 2016 for the purpose of current expenses. In addition to the community support of the School District through levies, the property values in Bay Village remain strong. This is evident by the recent reappraisal valuation completed by Cuyahoga County in 2018. The current five year forecast projects deficit spending in all five years forecasted which is projected to significantly reduce the district's positive carryover balance by 2023. The School District utilizes its five year forecast as a planning tool and is currently monitoring expenditures and costs to determine future funding needs.

Externally, the Ohio legislature determines the manner and means in which public schools are funded by the state. The State funding formula for schools has changed significantly over the last 10 years. During this time, the School District has received state money through the SF-3, the PASS formula, the Bridge formula and currently the SFPR. The SFPR or School Finance Payment Report is part of a two year state education budget. This formula evaluates the wealth of the district in comparison to the wealth of the State and calculates a State Share Index for Bay Village Schools. In dollars and cents, this new formula equated to no additional state money for the School District for fiscal year 2019. This is due to the fact that School District is currently on the Transitional Aid Guarantee for state funding. With the educational budget passed by the State in June of 2017, the School District moved deeper into this guarantee. According to the Ohio Education Policy Institute, the number of school district on the guarantee for fiscal year 2018 increased dramatically when compared to fiscal year 2017. The State of Ohio will need to approve a new educational budget that will take effect July of 2019. In recent years there has been conversation at the state level regarding the reduction or elimination of this guarantee. Any change in the Transitional aid Guarantee is a concern for the School District.

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 Nicole Spriggs, Treasurer, 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, 2018

	Governmental Activities
Assets	
Equity in pooled cash	\$ 24,115,725
Accounts receivable	2,946
Due from other governments	119,488
Accrued interest receivable	30,538
Taxes receivable	29,684,889
Capital assets	
Nondepreciable capital assets	923,324
Depreciable capital assets, net	38,027,279
Total assets	92,904,189
Deferred outflow s of resources	
Deferral on refunding	22,782
Pension	13,838,029
OPEB	460,342
Total deferred outflow s of resources	14,321,153
Liabilities	
Accounts and contracts payable	420,540
Accrued salaries, w ages and benefits	3,268,081
Due to other governments	556,402
Accrued interest payable	53,970
Long term liabilities	
Due w ithin one year	1,941,603
Due in more than one year	
Other amounts	27,802,350
Net pension liability	45,751,742
Net OPEB liability	10,597,667
Total liabilities	90,392,355
Deferred inflow s of resources	
Property taxes	25,569,938
Unavailable - other	38,937
Deferral on refunding	224,637
Pension	2,030,299
OPEB	1,203,283
Total deferred inflow s of resources	29,067,094
Net position	
Net investment in capital assets	13,783,988
Restricted for:	
Capital projects	574,854
Debt service	5,090,579
Federal/State grants	79,940
Other purposes	177,521
Unrestricted	(31,940,989)
Total net position	\$ (12,234,107)

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, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants Interest and Contributions	Revenue and Changes in Net Position
Governmental activities				
Instruction				
Regular	\$ 5,581,892	\$ 581,824	\$ 29,625	\$ (4,970,443)
Special	2,762,387	-	598,103	(2,164,284)
Vocational	834,687	-	-	(834,687)
Other instruction	267,099	-	-	(267,099)
Supporting services				
Pupil	1,063,159	32,498	-	(1,030,661)
Instructional staff	1,260,745	-	42,732	(1,218,013)
Board of education	91,193	-	-	(91,193)
Administration	1,204,832	-	-	(1,204,832)
Fiscal services	821,677	-	-	(821,677)
Business	165,042	-	-	(165,042)
Operation and maintenance	2,660,355	-	-	(2,660,355)
Pupil transportation	857,654	-	-	(857,654)
Central services	79,798	-	-	(79,798)
Operation of non-instructional services				
Food service operation	684,779	644,089	129,156	88,466
Community services	490,831	24,270	686,091	219,530
Day care operations	1,014,693	1,075,521	-	60,828
Extracurricular activities	1,224,242	579,904	-	(644,338)
Interest	642,964	-	-	(642,964)
Totals	<u>\$ 21,708,029</u>	<u>\$ 2,938,106</u>	<u>\$ 1,485,707</u>	<u>(17,284,216)</u>

General revenues

Property taxes levied for:	
General purpose	25,600,006
Debt service	2,048,918
Grants and entitlements not restricted to specific purposes	8,824,224
Investment earnings	430,807
Miscellaneous	239,997
Total general revenues	<u>37,143,952</u>
Change in net position	19,859,736
Net position at beginning of year, restated	(32,093,843)
Net position at end of year	<u>\$ (12,234,107)</u>

See the accompanying notes to the basic financial statements.

BAY VILLAGE CITY SCHOOL DISTRICT
 CUYAHOGA COUNTY

BALANCE SHEET –
 GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 18,379,933	\$ 4,779,649	\$ 956,143	\$ 24,115,725
Receivables, net of allowance				
Taxes	27,488,242	2,196,647	-	29,684,889
Accounts and other	2,946	-	-	2,946
Accrued interest receivable	30,538	-	-	30,538
Due from other governments	42,742	-	76,746	119,488
Interfund receivable	31,568	-	-	31,568
Total assets	<u>\$ 45,975,969</u>	<u>\$ 6,976,296</u>	<u>\$ 1,032,889</u>	<u>\$ 53,985,154</u>
Liabilities				
Accounts and contracts payable	\$ 372,566	\$ -	\$ 47,974	\$ 420,540
Accrued wages and benefits	3,176,190	-	91,891	3,268,081
Due to other governments	541,398	-	15,004	556,402
Interfund payable	-	-	31,568	31,568
Compensated absences payable	73,039	-	-	73,039
Total liabilities	<u>4,163,193</u>	<u>-</u>	<u>186,437</u>	<u>4,349,630</u>
Deferred inflow s of resources				
Property taxes	23,684,221	1,885,717	-	25,569,938
Unavailable revenue - delinquent property taxes	850,883	67,997	-	918,880
Unavailable revenue - other	24,363	-	94,122	118,485
Total deferred inflow s of resources	<u>24,559,467</u>	<u>1,953,714</u>	<u>94,122</u>	<u>26,607,303</u>
Fund balances				
Restricted	-	5,022,582	822,095	5,844,677
Assigned	5,942,136	-	-	5,942,136
Unassigned (deficit)	11,311,173	-	(69,765)	11,241,408
Total fund balances	<u>17,253,309</u>	<u>5,022,582</u>	<u>752,330</u>	<u>23,028,221</u>
Total liabilities, deferred inflow s of resources and fund balances	<u>\$ 45,975,969</u>	<u>\$ 6,976,296</u>	<u>\$ 1,032,889</u>	<u>\$ 53,985,154</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, 2018

Amount reported for governmental activities in the statement of net position are different because:

Total governmental funds balances	\$ 23,028,221
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore not reported in the funds.	38,950,603
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, intergovernmental, interest and other revenue.	998,428
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflow s/outflow s are not reported in governmental funds:	
Deferred outflow s of resources - pension	13,838,029
Deferred outflow s of resources - OPEB	460,342
Deferred inflow s of resources - pension	(2,030,299)
Deferred inflow s of resources - OPEB	(1,203,283)
Net pension liability	(45,751,742)
Net OPEB liability	(10,597,667)
Unamortized deferred gain and charges on long-term debt refunding are not recognized in the governmental funds.	(201,855)
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	(4,706,154)
Bonds payable	(24,325,000)
Unamortized bond premium	(639,760)
Accrued interest payable	<u>(53,970)</u>
Net position of governmental activities	<u><u>\$ (12,234,107)</u></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, 2018

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 25,596,676	\$ 2,050,534	\$ -	\$ 27,647,210
Tuition and fees	1,655,764	-	-	1,655,764
Interest	354,736	-	10,645	365,381
Intergovernmental	8,522,065	325,552	1,443,782	10,291,399
Rental	109,473	-	-	109,473
Charges for services	-	-	643,835	643,835
Extracurricular	239,875	-	197,623	437,498
Other	316,251	1,780	13,502	331,533
Total revenues	36,794,840	2,377,866	2,309,387	41,482,093
Expenditures				
Current				
Instruction				
Regular	15,594,879	-	18,772	15,613,651
Special	4,496,559	-	607,307	5,103,866
Vocational	1,053,266	-	-	1,053,266
Other instruction	297,272	-	-	297,272
Supporting services				
Pupil	2,286,993	-	11,120	2,298,113
Instructional staff	1,607,673	-	43,218	1,650,891
Board of education	95,825	-	-	95,825
Administration	2,424,683	-	-	2,424,683
Fiscal services	848,668	3,475	-	852,143
Business	348,345	-	-	348,345
Operation and maintenance	2,972,717	-	-	2,972,717
Pupil transportation	1,083,595	-	-	1,083,595
Central services	204,914	-	-	204,914
Operation of non-instructional services				
Food service operation	-	-	732,660	732,660
Community services	81,319	-	637,496	718,815
Day care operations	1,007,454	-	-	1,007,454
Extracurricular activities	979,256	-	170,970	1,150,226
Capital outlay	348,838	-	41,418	390,256
Debt service				
Principal	160,000	1,545,000	-	1,705,000
Interest	25,760	682,906	-	708,666
Total expenditures	35,918,016	2,231,381	2,262,961	40,412,358
Excess (deficiency) of revenues over expenditures	876,824	146,485	46,426	1,069,735
Other financing sources (uses)				
Transfers-in	-	-	48,422	48,422
Transfers-out	(48,422)	-	-	(48,422)
Total other financing sources (uses)	(48,422)	-	48,422	-
Net change in fund balances	828,402	146,485	94,848	1,069,735
Fund balances, beginning of year	16,424,907	4,876,097	657,482	21,958,486
Fund balances, end of year	\$ 17,253,309	\$ 5,022,582	\$ 752,330	\$ 23,028,221

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, 2018

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

Net change in fund balances - total governmental funds		\$ 1,069,735
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay, net	\$ 240,219	
Depreciation expense	<u>(1,539,737)</u>	
Total		(1,299,518)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	1,714	
Intergovernmental	<u>18,532</u>	
Total		20,246
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		13,060
<p>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.</p>		
		1,823,068
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p>		
		2,982,354
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension expense in the statement of activities.</p>		
		15,417,657
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
		<u>(166,866)</u>
Change in net position of governmental activities		<u>\$ 19,859,736</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 BALANCE -
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 34,829,987	\$ 35,171,049	\$ 36,547,202	\$ 1,376,153
Expenditures and other financing uses	36,555,256	37,518,420	35,098,901	2,419,519
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other (uses)	(1,725,269)	(2,347,371)	1,448,301	3,795,672
Fund balance, beginning of year	14,267,333	14,267,333	14,267,333	-
Prior year encumbrances	487,767	487,767	487,767	-
Fund balance, end of year	<u>\$ 13,029,831</u>	<u>\$ 12,407,729</u>	<u>\$ 16,203,401</u>	<u>\$ 3,795,672</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, 2018

	Private Purpose Trust	
	Scholarship Fund	Agency Funds
Assets		
Equity in pooled cash	\$ 25,959	\$ 408,217
Total assets	<u>25,959</u>	<u>408,217</u>
Liabilities		
Accounts payable	-	2,314
Due to others	-	287,522
Due to students	-	118,381
Total liabilities	<u>-</u>	<u>\$ 408,217</u>
Net position		
Held in trust for scholarships	<u>\$ 25,959</u>	

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, 2018

	<u>Scholarship Fund</u>
Additions	
Interest	<u>\$ 327</u>
Deductions	<u> 1,978</u>
Change in net position	(1,651)
Net position, beginning of year	<u> 27,610</u>
Net position, end of year	<u><u>\$ 25,959</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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Bay Village City School District (the School 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 School District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the School District. Average daily membership was 2,456. The School District employs 217 certificated and 191 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 School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Within the School District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the School 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 School District.

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

The School District is associated with Connect, the Suburban Health Consortium, the Bay Village Education Foundation, and the Ohio Schools Council, which are considered to be jointly governed organizations. The School District participates in a public risk pool managed by the Ohio Schools Boards Association of School Business Officials Workers' Compensation Group Rating Program. The School 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 School District are described in more detail in Note 13, 16 and/or 17 to these basic financial statements.

The financial statements of the School 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION

The School 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 School 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 School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 School 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 School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School 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 School 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 School 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 School 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 School 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, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

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

The other governmental funds of the School 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School 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 School 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 School 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.

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 School District, available means expected to be received within sixty days of fiscal year end.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Revenues - Exchange and Non-Exchange Transactions (continued)

Nonexchange transactions, in which the School 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School 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 financial 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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges for refunding and amounts related to pension and OPEB. The refunding amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Note 18 and 19.

In addition to liabilities, the statements of financial 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 until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, deferral on refunding, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported on the statement of net position and the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Note 18 and 19)

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, 2018

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 level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School 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 School District is deposited in one central bank account with individual fund balance integrity maintained through School 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, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$ 354,736 of which \$ 96,448 was credited from other funds. During fiscal year 2018, investments were limited to STAR Ohio, certificates of deposit, government securities 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.

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 has adopted Government Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in Star Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the year ended 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$ 25 million. STAR Ohio reserves the right to limit the transaction to \$ 50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$ 50 million limit. All accounts of the participant will be combined for these purposes.

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, 2018

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, 2018 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 School 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 School District maintains a capitalization threshold of \$ 5,000. The School 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 - 10 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, 2018

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 School 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 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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 is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net position reports \$ 5,922,894 of net position restricted, of which none is restricted by enabling legislation. Net position restricted for other purposes include other grants and rotary funds.

The School 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 School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. FUND BALANCE (continued)

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.

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 School 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, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. PENSIONS

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, – “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, GASB Statement No. 85, “Omnibus 2017”, and GASB Statement No. 86, “Certain Debt Extinguishment Issues”,

GASB Statement No. 85 – “Omnibus 2017”, the objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and other postemployment benefits.) These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 – “Certain Debt Extinguishment Issues”, the objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement also improved accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 – “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows or resources, deferred inflows or resources and expense/expenditure. Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred outflows/inflows of resources related to other postemployment benefits as the information needed to generate these restatements was not available. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017.

	Governmental Activities
Net Position, June 30, 2017	\$ (19,139,807)
Adjustments:	
Net OPEB liability	(13,056,183)
Deferred outflow - payments subsequent to measurement date	102,147
Restated Net Position, June 30, 2017	\$ (32,093,843)

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While the School 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 Basis (Non-GAAP) 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 an assignment 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	\$ 1,448,301
Adjustments, increase (decrease)	
Revenue accruals	(1,581,250)
Expenditure accruals	(309,944)
Encumbrances	1,147,463
Funds budgeted separately	123,832
GAAP basis, as reported	\$ 828,402

NOTE 4 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

Inactive deposits are public deposits 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.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 School 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.

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

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

At fiscal year end, the School District had \$ 1,270 in cash on hand which is included on the balance sheet of the School 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 School 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 School District's deposits was \$ 14,960,848 and the bank balance was \$ 15,182,331. Of the bank balance, \$ 10,563,313 was covered by federal depository insurance and \$ 4,619,018 was collateralized with securities held by the pledging institution's trust department not in the School District's name.

The School District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Protection of the School 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 a financial institution participation in the Ohio Pooled Collateral System (OPCS) or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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, 2018, the School District had the following investments:

	Fair Value	Investment Maturities		
		Less than 1 year	1-2 years	3 years and longer
STAR Ohio	\$ 6,462,783	\$ 6,462,783	\$ -	\$ -
Federal securities	3,125,000	175,000	1,450,000	1,500,000
	\$ 9,587,783	\$ 6,637,783	\$ 1,450,000	\$ 1,500,000

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2018. As discussed further in Note 1G, STAR Ohio is reported at its net asset value (NAV) per share. All other investments of the School District are valued using quoted market prices (Level 1 inputs).

D. INTEREST RATE RISK

The School 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 School 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.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

E. CREDIT RISK

The School District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2018, the School District's investments in STAR Ohio were rated AAAm by Standard & Poor's and the government securities were rated Aaa 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 School District places no limit on the amount that may be invested in any one issuer. The School District's allocation as of June 30, 2018 was 67.4 percent invested in STAR Ohio and 32.6 percent in government securities (FHLB, FFCB, FHLMC, FNMA).

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School 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 School District. Real and public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes for 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 were levied after April 1, 2017, on the assessed values as of December 31, 2016, 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.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2018 are available to finance fiscal year 2018 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, 2018 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 2018 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.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2018, was \$ 2,953,138 in the General Fund and \$ 242,933 in the Debt Service Fund. The amount available as an advance at June 30, 2017, was \$ 4,416,085 in the General Fund and \$ 382,422 in the Debt Service Fund. The difference was in the timing and collection by the County Fiscal Officer.

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 2018 taxes were collected are:

	2017 Second - Half Collections			2018 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential and Other Real Estate	\$ 532,792,500	98.13 %		\$ 536,190,460	98.02 %
Public Utilities	10,171,100	1.87		10,811,060	1.98
Total Assessed Value	\$ 542,963,600	100.00 %		\$ 547,001,520	100.00 %
Tax rate per \$1,000 of assessed valuation	\$ 122.41			\$ 122.18	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2018, consisted of taxes, due from other governments, 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. Due from other governments consists of the following:

Governmental Activities	Amounts
Major fund:	
General	\$ 42,742
Non-major funds:	
Miscellaneous state grants	900
Improving teacher quality	800
IDEA Part B	54,288
Title I	6,000
Food service	10,258
Miscellaneous federal grants	4,500
Total due from other governments	\$ 119,488

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7 - INTERFUND ASSETS/LIABILITIES

On the fund financial statements at June 30, 2018, interfund receivables and payables consisted of the following:

Fund	Receivable	Payable
General Fund	\$ 31,568	\$ -
Non-major Funds:		
Miscellaneous grants	-	600
Miscellaneous state grants	-	900
Title VIB	-	17,036
Title I	-	7,732
Improving Teacher Quality	-	800
Miscellaneous federal grants	-	4,500
Total	\$ 31,568	\$ 31,568

These amounts are represented as "Interfund Receivable/Payable" on the balance sheet. The non-major fund interfund payable was to pay for expenditures.

NOTE 8 - INTERFUND TRANSFERS

During the year ended June 30, 2018, the General Fund transferred \$ 44,500 to the Building Fund to pay principal on the manuscript debt and \$ 3,922 to the Capital Project to fund improvements and maintenance for the community gymnasium.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 700,764	\$ -	\$ -	\$ 700,764
Construction in progress	-	222,560	-	222,560
	<u>700,764</u>	<u>222,560</u>	<u>-</u>	<u>923,324</u>
Depreciable capital assets				
Buildings and improvements	50,853,747	53,276	1,338,386	49,568,637
Furniture and equipment	8,116,554	266,104	24,081	8,358,577
Vehicles	1,458,278	160,254	-	1,618,532
Total capital assets being depreciated	<u>60,428,579</u>	<u>479,634</u>	<u>1,362,467</u>	<u>59,545,746</u>
Less accumulated depreciation				
Buildings and improvements	18,025,165	1,078,996	900,492	18,203,669
Furniture and equipment	1,567,692	414,306	-	1,981,998
Vehicles	1,286,365	46,435	-	1,332,800
Total accumulated depreciation	<u>20,879,222</u>	<u>1,539,737</u>	<u>900,492</u>	<u>21,518,467</u>
Depreciable capital assets, net of accumulated depreciation	<u>39,549,357</u>	<u>(1,060,103)</u>	<u>461,975</u>	<u>38,027,279</u>
Governmental activities capital assets, net	<u>\$ 40,250,121</u>	<u>\$ (837,543)</u>	<u>\$ 461,975</u>	<u>\$ 38,950,603</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 1,245,027
Special	521
Vocational	-
Supporting services	
Instructional staff	41,378
Administration	6,021
Business	2,245
Operation and maintenance	106,411
Pupil transportation	37,814
Central services	2,957
Operation of non-instructional services	
Food service operation	6,633
Community services	9,860
Extracurricular activities	
Sports oriented	80,870
Total depreciation expense	<u>\$ 1,539,737</u>

BAY VILLAGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 10 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School 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	Other Governmental Funds	Total
Restricted for				
Debt service	\$ -	\$ 5,022,582	\$ -	\$ 5,022,582
Capital projects	-	-	533,169	533,169
Community gym	-	-	41,685	41,685
Food service	-	-	100,755	100,755
Other grants	-	-	17,366	17,366
Athletics	-	-	59,400	59,400
State grants	-	-	69,718	69,718
Federal grants	-	-	2	2
Total restricted	-	5,022,582	822,095	5,844,677
Assigned				
Subsequent year appropriations	3,831,830	-	-	3,831,830
Instruction	278,426	-	-	278,426
Support services	282,154	-	-	282,154
Extracurricular	274	-	-	274
Capital outlay	586,609	-	-	586,609
Other purposes	962,843	-	-	962,843
	5,942,136	-	-	5,942,136
Unassigned (deficit)	11,311,173	-	(69,765)	11,241,408
Total fund balance	\$17,253,309	\$ 5,022,582	\$ 752,330	\$ 23,028,221

NOTE 11 – DEFICIT FUND BALANCE

On June 30, 2018, the Title I Fund had a deficit balance of \$ 1,278, the IDEA Part B Fund has a deficit balance of \$ 67,785 and the Improving Teacher Quality Fund had a deficit balance of \$ 702. 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, 2018

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Restated Outstanding June 30, 2017	Additions	Retired	Outstanding June 30, 2018	Amounts Due In One Year
School improvement refunding					
Bond 2006, 4.0%, matures 2025	\$ 285,000	\$ -	\$ 285,000	\$ -	\$ -
School improvement bond 2013					
3.0% - 4.0%, matures 2037	14,745,000	-	535,000	14,210,000	545,000
Refunding bonds 2015					
2.18%, matures 2023	1,180,000	-	160,000	1,020,000	160,000
Refunding bonds 2016 refunding					
school improvement bond 2006					
2.0% - 3.0%, matures 2025	9,820,000	-	725,000	9,095,000	1,030,000
Total bonds payable	<u>26,030,000</u>	<u>-</u>	<u>1,705,000</u>	<u>24,325,000</u>	<u>1,735,000</u>
Premium on bonds	692,126	-	52,366	639,760	-
Net pension liability					
STRS	49,723,497	-	14,455,712	35,267,785	-
SERS	13,029,231	-	2,545,274	10,483,957	-
Total net pension liability	<u>62,752,728</u>	<u>-</u>	<u>17,000,986</u>	<u>45,751,742</u>	<u>-</u>
Net OPEB liability					
STRS	7,944,386	-	2,151,894	5,792,492	-
SERS	5,111,797	-	306,622	4,805,175	-
Total net OPEB liability	<u>13,056,183</u>	<u>-</u>	<u>2,458,516</u>	<u>10,597,667</u>	<u>-</u>
Compensated absences	4,718,460	906,181	845,449	4,779,192	206,603
Total long-term obligations	<u>\$ 107,249,497</u>	<u>\$ 906,181</u>	<u>\$ 22,062,317</u>	<u>\$ 86,093,361</u>	<u>\$ 1,941,603</u>

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

In 2016, the School District issued \$ 1,480,000 of general obligation refunding bonds to provide resources to current refund the Certificates of Participation that were issued in 2004. The School District had entered into a ground lease to secure the necessary funding to cover anticipated cost overruns of the middle school project.

During fiscal year 2017, the School District issued \$ 9,820,000 of general obligation refunding bond to provide resources to current refund the general obligation refunding bonds issued in 2006. As a result, the refunded general obligation refunding bonds are considered paid and the liability has been removed from the governmental activities of the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$ 37,025. This amount is recorded as deferred inflows of resources – deferral on refunding and amortized over the life of the new debt.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2018, were as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 1,735,000	\$ 658,194	\$ 2,393,194
2020	1,785,000	611,698	2,396,698
2021	1,840,000	561,227	2,401,227
2022	1,885,000	512,420	2,397,420
2023	1,915,000	468,307	2,383,307
2024-2028	7,020,000	1,698,600	8,718,600
2029-2033	3,745,000	1,040,218	4,785,218
2034-2038	4,400,000	384,556	4,784,556
	<u>\$ 24,325,000</u>	<u>\$ 5,935,220</u>	<u>\$ 30,260,220</u>

Bonds payable will be repaid from the Debt Service Fund and the refunding bonds used to refund 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 13 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The School 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 2018, the School District contracted with Ohio School Plan. The program is governed by a Board of Directors who contracts with Hylant Administrative Services as the program administrator. The types and coverages of the School District's insurance plan are as follows:

	Amount	Deductible
Ohio Casualty		
Type of coverage:		
Building and contents at replacement value	\$ 99,329,680	\$ 1,000
General liability		
each occurrence	4,000,000	N/A
personal injury	4,000,000	N/A
general aggregate	6,000,000	N/A
Automotive liability	4,000,000	1,000
Uninsured motorist	250,000	N/A
Errors and omissions	100,000	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Generally speaking, the insurance coverages for fiscal year 2018 have increased to compared to the previous year.

BAY VILLAGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 13 - RISK MANAGEMENT (continued)

B. WORKERS' COMPENSATION

The School 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 school 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 ensures 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 Comp Management, provides administrative, cost control and actuarial services to the GRP.

C. EMPLOYEE MEDICAL BENEFITS

The School District offers a board paid employee assistance program and wellness services through its insurance carrier to assist with physical wellness and the board provides services from outside providers to focus on mental and emotional well-being.

The School District participates in the Suburban Health Consortium (the Consortium), a shared risk pool (Note 17), 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 School District is a member of the Consortium and the Consortium holds the reserves for Incurred But Not Reported (IBNR) claims, not the individual school districts, IBNR information is not available on a district-by-district basis.

NOTE 14 - SET-ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the 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 2018.

	Capital Maintenance
Balance, July 1, 2017	\$ -
Required set aside	433,921
Qualifying expenditures	(550,510)
Balance June 30, 2018	\$ (116,589)
Carry forward at June 30, 2018	\$ -

Expenditures and offset credits for capital maintenance during the year were \$ 550,510 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, 2018

NOTE 15 – CONTINGENCIES

A. GRANTS

The School 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 School District at June 30, 2018.

B. FOUNDATION

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, rather than a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability to the School District.

NOTE 16 - COMMUNITY GYMNASIUM JOINT OPERATING AGREEMENT

On August 13, 2001, the School 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 School 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 School 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 School District.

The development and use agreement includes provisions for capital improvement funding. Under these provisions, both the School District and the City are required to establish and maintain a community gym fund. For the first year of operation the School 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 School 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 School District and the City also have additional annual obligations for housekeeping, custodial equipment, supplies and utility costs.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. CONNECT

The North Coast Council became known as Connect effective April 1, 2016. The new governing Board of Directors, the Educational Service Centers of Cuyahoga, Lorain and Medina County and the Ohio Schools Council, have accepted the ownership, responsibility and liability of Connect in order to provide exemplary service to member districts. The Superintendent/Executive Director of the three ESCs and Ohio Schools Council shall serve on Connect's Board of Directors. The purpose of Connect is applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Fiscal information for Connect is available from the Treasurer of the Educational Service Center of Cuyahoga County (fiscal agent), located at 6393 Oak Tree Boulevard, Independence, Ohio 44131. During the year ended June 30, 2018, the School District paid \$ 56,375 to Connect 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, 2018

NOTE 17 - 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 School 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 201 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 2018, the School District paid \$ 62,207 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools' Council at 6393 Oak Tree Blvd, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation served as the natural gas supplier and program manager from June 24, 2010 to March 31, 2016. There are currently 151 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, 2018

NOTE 18 - DEFINED BENEFIT PENSION PLANS

A. NET PENSION LIABILITY

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in Due to Other Governments on both the accrual and modified accrual bases of accounting.

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description –School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 - DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Age and service requirements for retirement are as follows:

	Eligible to retire on or before August 1, 2017*	Eligible to retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent and 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$ 785,102 for fiscal year 2018. Of this amount \$ 73,991 is reported as a Due to Other Governments.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description –School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$ 2,071,288 for fiscal year 2018. Of this amount \$ 344,934 is reported as a Due to Other Governments.

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 10,483,957	\$ 35,267,785	\$ 45,751,742
Pension expense	\$ (574,573)	\$(13,355,620)	\$(13,930,193)
Proportion of the net pension liability			
Prior measurement date	0.178017%	0.148548%	
Current measurement date	0.175470%	0.148463%	
	-0.002547%	-0.000085%	

BAY VILLAGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 451,193	\$ 1,361,876	\$ 1,813,069
Change in assumption	542,133	7,713,452	8,255,585
Difference between employer contribution and proportionate share of contributions	24,497	888,488	912,985
District contributions subsequent to the measurement date	785,102	2,071,288	2,856,390
Total deferred outflows of resources	<u>\$ 1,802,925</u>	<u>\$ 12,035,104</u>	<u>\$ 13,838,029</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 284,245	\$ 284,245
Net difference between projected and actual earnings on pension plan investments	49,765	1,163,878	1,213,643
Difference between employer contribution and proportionate share of contributions	283,262	249,149	532,411
	<u>\$ 333,027</u>	<u>\$ 1,697,272</u>	<u>\$ 2,030,299</u>

\$ 2,856,390 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$ 281,768	\$ 1,867,251	\$ 2,149,019
2020	519,186	3,466,818	3,986,004
2021	128,245	2,378,654	2,506,899
2022	(244,403)	553,821	309,418
	<u>\$ 684,796</u>	<u>\$ 8,266,544</u>	<u>\$ 8,951,340</u>

BAY VILLAGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment rate of return	7.50 percent of net of investments expense, including inflation
Actuarial cost method	Entry age normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 102 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2017.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. stocks	22.50%	4.75%
Non-U.S. stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 14,549,008	\$ 10,483,957	\$ 7,078,648

BAY VILLAGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Cost-of-living adjustments (COLA)	0.00 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return *</u>
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
	<u>100.00%</u>	

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

BAY VILLAGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 - DEFINED BENEFIT PENSION PLANS (continued)

F. ACTUARIAL ASSUMPTIONS - STRS

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 50,555,169	\$ 35,267,785	\$ 22,390,455

Assumption Changes Since the Prior Measurement Date – The Retirement Board approved several change to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disable mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Benefit Term Changes Since the Prior Measurement Date – Effective July 1, 2017, the COLA was reduced to zero.

NOTE 19 – DEFINED BENEFIT OPEB PLANS

A. NET OPEB LIABILITY

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

BAY VILLAGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 19 - DEFINED BENEFIT OPEB PLANS (continued)

A. NET OPEB LIABILITY (continued)

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

BAY VILLAGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 19 - DEFINED BENEFIT OPEB PLANS (continued)

B. PLAN DESCRIPTION - SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$ 23,700. 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 2018, the School District's surcharge obligation was \$ 98,160.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$ 125,964 for fiscal year 2018. Of this amount \$ 98,532 is reported as a due to other governments.

C. PLAN DESCRIPTION - STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary 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 Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS Ohio did not allocate any employer contributions to post-employment health care.

D. OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 19 - DEFINED BENEFIT OPEB PLANS (continued)

D. OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net OPEB liability	\$ 4,805,175	\$ 5,792,492	\$ 10,597,667
OPEB expense	\$ 280,737	\$ (1,768,201)	\$ (1,487,464)
Proportion of the net OPEB liability			
Prior measurement date	0.179338%	0.148548%	
Current measurement date	0.179048%	0.148463%	
Change in proportionate share	<u>-0.000290%</u>	<u>-0.000085%</u>	

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 334,378	\$ 334,378
School District's contributions subsequent to the measurement date	125,964	-	125,964
Total deferred outflows of resources	<u>\$ 125,964</u>	<u>\$ 334,378</u>	<u>\$ 460,342</u>
Deferred inflows of resources			
Change in assumptions	\$ 455,986	\$ 466,605	\$ 922,591
Net difference between projected and actual earnings on pension plan investments	12,689	247,585	260,274
Change in proportionate share and difference between employer and proportionate share of contributions	16,537	3,881	20,418
Total deferred inflows of resources	<u>\$ 485,212</u>	<u>\$ 718,071</u>	<u>\$ 1,203,283</u>

\$ 125,964 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (174,377)	\$ (84,581)	\$ (258,958)
2020	(174,377)	(84,581)	(258,958)
2021	(133,287)	(84,581)	(217,868)
2022	(3,171)	(84,581)	(87,752)
2023	-	(22,684)	(22,684)
Thereafter	-	(22,685)	(22,685)
	<u>\$ (485,212)</u>	<u>\$ (383,693)</u>	<u>\$ (868,905)</u>

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 19 - DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent of net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumptions	
Medicare	5.50 to 5.00 percent
Pre-medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

BAY VILLAGE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 19 - DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. stocks	22.50%	4.75%
Non-U.S. stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
	100.00%	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 19 - DEFINED BENEFIT OPEB PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – SERS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$ 5,802,861	\$ 4,805,175	\$ 4,014,753
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 3,899,040	\$ 4,805,175	\$ 6,004,461

F. ACTUARIAL ASSUMPTIONS – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 19 - DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return *
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
	100.00%	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management

BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 19 - DEFINED BENEFIT OPEB PLANS (continued)

F. ACTUARIAL ASSUMPTIONS – STRS (continued)

Discount Rate -The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate -The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$ 7,776,327	\$ 5,792,492	\$ 4,224,613
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 4,024,375	\$ 5,792,492	\$ 8,119,540

REQUIRED SUPPLEMENTARY INFORMATION

BAY VILLAGE CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST FIVE YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.175470%	0.178017%	0.183859%	0.187656%
School District's proportionate share of the net pension liability	\$ 10,483,957	\$ 13,029,231	\$ 10,491,173	\$ 9,497,163
School District's covered payroll	\$ 5,529,957	\$ 5,490,240	\$ 5,500,454	\$ 5,348,209
School District's proportionate share of the net pension liability as a percentage of its covered payroll	189.58%	237.32%	190.73%	177.58%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%

(1) Information prior to 2014 is not available. The schedule is intended to show information for 10 years, additional years will be displayed when available.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

2014
0.187656%

\$ 11,159,300

\$ 5,147,461

216.79%

65.52%

BAY VILLAGE CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO
 LAST FIVE YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability	0.148463%	0.148548%	0.145142%	0.142031%
School District's proportionate share of the net pension liability	\$ 35,267,785	\$ 49,723,497	\$ 40,113,053	\$ 34,546,845
School District's covered payroll	\$ 14,274,635	\$ 15,866,136	\$ 15,398,181	\$ 14,589,532
School District's proportionate share of the net pension liability as a percentage of its covered payroll	247.07%	313.39%	260.51%	236.79%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%

(1) Information prior to 2014 is not available. The schedule is intended to show information for 10 years, additional years will be displayed when available.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

2014
0.142031%

\$ 41,151,976

\$ 14,369,829

286.38%

69.30%

BAY VILLAGE CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS - PENSION
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 785,102	\$ 774,194	\$ 768,634	\$ 724,960
Contributions in relation to the contractually required contribution	<u>(785,102)</u>	<u>(774,194)</u>	<u>(768,634)</u>	<u>(724,960)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 5,815,570	\$ 5,529,957	\$ 5,490,240	\$ 5,500,454
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
\$ 740,192	\$ 713,438	\$ 672,465	\$ 597,389	\$ 673,969	\$ 457,622
<u>(740,192)</u>	<u>(713,438)</u>	<u>(672,465)</u>	<u>(597,389)</u>	<u>(673,969)</u>	<u>(457,622)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,348,209	\$ 5,147,461	\$ 4,999,743	\$ 4,752,501	\$ 4,977,612	\$ 4,650,630
13.84%	13.86%	13.45%	12.57%	13.54%	9.84%

BAY VILLAGE CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS - PENSION
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS

	2018	2017	2016	2015
Contractually required contribution	\$ 2,071,288	\$ 1,998,449	\$ 2,221,259	\$ 2,155,745
Contributions in relation to the contractually required contribution	<u>(2,071,288)</u>	<u>(1,998,449)</u>	<u>(2,221,259)</u>	<u>(2,155,745)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 14,794,914	\$ 14,274,635	\$ 15,866,136	\$ 15,398,181
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
<u>\$ 1,896,639</u>	<u>\$ 1,868,078</u>	<u>\$ 1,829,663</u>	<u>\$ 1,860,450</u>	<u>\$ 1,838,117</u>	<u>\$ 1,779,832</u>
<u>(1,896,639)</u>	<u>(1,868,078)</u>	<u>(1,829,663)</u>	<u>(1,860,450)</u>	<u>(1,838,117)</u>	<u>(1,779,832)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,589,532	\$ 14,369,829	\$ 14,074,329	\$ 14,311,150	\$ 14,139,360	\$ 13,691,018
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

BAY VILLAGE CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TWO FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.179048%	0.179338%
School District's proportionate share of the net OPEB liability	\$ 4,805,175	\$ 5,111,797
School District's covered payroll	\$ 5,529,957	\$ 5,490,240
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	86.89%	93.11%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

(1) Information prior to 2017 is not available. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year end.

BAY VILLAGE CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO
 LAST TWO FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.148463%	0.148548%
School District's proportionate share of the net OPEB liability	\$ 5,792,492	\$ 7,944,386
School District's covered payroll	\$ 14,274,635	\$ 15,866,136
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.58%	50.07%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

(1) Information prior to 2017 is not available. This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year end.

BAY VILLAGE CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS - OPEB
 SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (1)	\$ 125,964	\$ 102,147	\$ 91,549	\$ 87,366
Contributions in relation to the contractually required contribution	<u>(125,964)</u>	<u>(102,147)</u>	<u>(91,549)</u>	<u>(87,366)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 5,815,570	\$ 5,529,957	\$ 5,490,240	\$ 5,500,454
OPEB contributions as a percentage of covered payroll	2.17%	1.85%	1.67%	1.59%

(1) Includes Surcharge

See accompanying notes to the require supplementary information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 103,925	\$ 106,044	\$ 169,304	\$ 164,574	\$ 327,845	\$ 287,574
<u>(103,925)</u>	<u>(106,044)</u>	<u>(169,304)</u>	<u>(164,574)</u>	<u>(327,845)</u>	<u>(287,574)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,348,209	\$ 5,147,461	\$ 4,999,743	\$ 4,752,501	\$ 4,977,612	\$ 4,650,630
1.94%	2.06%	3.39%	3.46%	6.59%	6.18%

BAY VILLAGE CITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS - OPEB
 STATE TEACHERS RETIREMENT SYSTEM OF OHIO
 LAST TEN FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 14,794,914	\$ 14,274,635	\$ 15,866,136	\$ 15,398,181
OPEB contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplement information.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 145,895	\$ 143,698	\$ 140,743	\$ 143,111	\$ 141,393	\$ 136,910
<u>(145,895)</u>	<u>(143,698)</u>	<u>(140,743)</u>	<u>(143,111)</u>	<u>(141,393)</u>	<u>(136,910)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,589,532	\$ 14,369,829	\$ 14,074,329	\$ 14,311,150	\$ 14,139,360	\$ 13,691,018
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

BAY VILLAGE CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - NET PENSION LIABILITY

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms - There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions - There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefits terms - There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions - There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

NOTE 2 - NET OPEB LIABILITY

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in assumptions - Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense,
including price inflation

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

BAY VILLAGE CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 – NET OPEB LIABILITY (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in assumptions For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
National School Lunch Program	10.555	\$103,710	\$41,319
Total Child Nutrition Cluster		103,710	41,319
Total U.S. Department of Agriculture		103,710	41,319
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education Grants - FY 2018	84.027	419,893	
Special Education Grants - FY 2017	84.027	15,131	
Subtotal Special Education Grants		435,024	
PreSchool Grant - FY 2018	84.173	12,629	
Subtotal Preschool Grant		12,629	
Total Special Education Cluster		447,653	
Title I Grants to Local Education Agencies- FY 2018	84.010	148,584	
Title I Grants to Local Education Agencies - FY 2017	84.010	30,858	
Total Title I Grants to Local Education Agencies		179,442	
Title III, Part A, English Acquisition State Grants - 2018	84.365	1,395	
Total Title III, Part A, English Acquisition State Grants		1,395	
Improving Teacher Quality - FY 2018	84.367	40,644	
Total Improving Teacher Quality		40,644	
Title IV-A Student Support	84.424	5,541	
Total Ohio Department of Education		674,675	
Total Federal Assistance		\$778,385	\$41,319

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

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Bay Village City School District (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – 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 D – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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 the Bay Village City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2019, wherein we noted the District adopted Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 15, 2019

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could directly and materially affect the Bay Village City School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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, 2018.

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 each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 15, 2019

**BAY VILLAGE CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

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 weaknesses in internal control 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 weaknesses in internal control 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 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: CFDA #84.027- Special Education Grants to States CFDA #84.173- Special Education Preschool Grants
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

**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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OHIO AUDITOR OF STATE KEITH FABER



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 28, 2019**