



**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Bexley City School District
Franklin County
348 South Cassingham Road
Bexley, Ohio 43209

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 Bexley City School District, Franklin 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 Bexley City School District, Franklin County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof 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 17 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 Pension*. 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, the required budgetary comparison schedule and schedules of net pension liabilities and pension 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 19, 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 19, 2019

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Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

As management of the Bexley City School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

The District's net position is \$7,021,323 as of June 30, 2018, according to the Statement of Net Position. This represents an increase of \$13,218,137 over last year's restated net deficit position of (\$6,196,814). The majority of this increase was due to the decrease of net pension and other postemployment benefits liabilities of \$17,345,967.

The 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). Additional details are included on Notes 10 and 17.

The General Fund reported a positive fund balance of \$29,449,950. This represents a decrease of \$3,715,799 for the fiscal year ended. This decrease is primarily due expenditure growth outpacing revenues.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

A question typically asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps 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 private sector corporations. All of the current year revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds appears on the fund financial statements beginning with the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. These statements provide detailed information about the most significant funds not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's two types of funds, governmental and fiduciary, use

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited (continued)

different accounting approaches as further described in the notes to the basic financial statements.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are financial resources available to spend in the near future to finance the District's 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 basic financial statements.

Fiduciary Funds

The District's fiduciary fund includes assets held for Student Managed activities and a portion of the assets of the Bexley Education Foundation. The District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets (including deferred outflows) were greater than liabilities (including deferred inflows) by \$7,021,323 according to the Statement of Net Position at the close of the most recent fiscal year.

Approximately \$15.7 million of the District's net position reflect its net investment in capital assets, which represents capital assets less depreciation and any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves will not be used to liquidate these liabilities.

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited (continued)

A comparative analysis of fiscal year 2018 to 2017 follows from the Statements of Net Position:

	Net Position	
	Governmental Activities	
	2018	Restated 2017
Current assets	\$ 56,552,572	\$ 53,606,362
Capital assets	28,380,744	29,799,674
Total assets	<u>84,933,316</u>	<u>83,406,036</u>
Deferred outflows	<u>12,877,597</u>	<u>11,127,738</u>
Current liabilities	4,536,330	4,795,337
Long-term liabilities	65,764,336	85,167,286
Total liabilities	<u>70,300,666</u>	<u>89,962,623</u>
Deferred inflows	<u>18,569,312</u>	<u>10,767,965</u>
Net Position:		
Net investment in capital assets	15,671,574	15,960,315
Restricted	5,070,603	4,847,555
Unrestricted (deficit)	<u>(13,720,854)</u>	<u>(27,004,684)</u>
Total net position (deficit)	<u>\$ 7,021,323</u>	<u>\$ (6,196,814)</u>

The net pension liability (NPL) is one of the largest single liabilities reported by the 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." As mentioned earlier, the 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 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 requires 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:

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited (continued)

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 District is not responsible for certain key factors affecting the balance of these liabilities. 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 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 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 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 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 District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

As mentioned earlier, the pension and OPEB liabilities will fluctuate annually due to a number of factors including investment returns, actuarial assumptions used, and the District's proportionate

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited (continued)

share of net pension and net OPEB costs. As a result, many end users of this financial statement will gain a clearer understanding of the 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 as follows:

	<u>Governmental Activities 2018</u>	<u>Governmental Activities 2017</u>
Total net position (with GASB 68 and GASB 75)	\$ 7,021,323	\$ (6,196,814)
GASB 68 calculations:		
ADD: Deferred inflows related to pension	2,738,872	1,118,630
ADD: Net pension liability	40,487,858	56,583,157
Less: Deferred outflows related to pension	(12,170,981)	(10,685,615)
GASB 75 calculations:		
ADD: Deferred inflows related to OPEB	1,215,857	-
ADD: Net OPEB liability	9,039,529	11,311,626
Less: Deferred outflows related to OPEB	(395,795)	(66,491)
Total net position (without GASB 68 and GASB 75)	<u>\$ 47,936,663</u>	<u>\$ 52,064,493</u>

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited (continued)

Changes in Net Position
Governmental Activities

	<u>2018</u>	<u>2017</u>
Program revenues:		
Charges for services and sales	\$ 1,050,548	\$ 784,089
Operating grants and contributions	1,901,930	1,994,837
General revenues:		
Property taxes	20,777,224	23,013,260
Income taxes	6,308,510	7,894,897
Grants and entitlements not restricted to specific programs	7,538,332	7,194,684
Investment earnings	280,340	249,295
Miscellaneous	<u>345,757</u>	<u>795,598</u>
Total revenues	<u>38,202,641</u>	<u>41,926,660</u>
Program expenses:		
Instructional services	11,100,327	23,905,768
Support services	10,712,652	14,106,410
Co-curricular student activities	1,022,988	1,423,545
Community services	505,665	908,612
Interest on long-term debt	361,856	386,212
Depreciation - Unallocated	<u>1,281,016</u>	<u>1,291,179</u>
Total expenses	<u>24,984,504</u>	<u>42,021,726</u>
Change in net position	13,218,137	(95,066)
Net position (deficit) at the beginning of the year	<u>(6,196,814)</u>	<u>NA</u>
Net position (deficit) at end of year	<u>\$ 7,021,323</u>	<u>\$ (6,196,814)</u>

Analysis of Net Position

Total net position increased \$13,218,137. The Net Pension Liability and Net OPEB liabilities decreased \$16.0 million and \$1.4 million respectively. These liability's represents the District's share, as calculated per GASB 68 and GASB 75, of the two state retirement systems' present value of estimated future pension and OPEB benefits less the assets available to pay those benefits. This will fluctuate annually based on a number of factors including investment returns, actuarial assumptions used, and the District's proportionate share of the Net Pension Cost. As a result, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension as discussed above.

The information necessary to restate the 2017 beginning balances 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 \$66,491 computed under GASB 45. GASB 45 required recognizing OPEB 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.

Bexley City School District
Management's Discussion and Analysis
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Unaudited (continued)

Under GASB 75, the 2018 statements report OPEB expenses of (\$1,301,026). Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$	24,984,504
Negative OPEB expense under GASB 75		1,301,026
2018 contractually required contributions		84,518
Adjusted 2018 program expenses		26,370,048
Total 2017 program expense not related to OPEB		42,021,726
Decrease in program expense not related to OPEB	\$	(15,651,678)

Overall, expenses of the governmental activities decreased \$17,037,222 or 40.5%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. For fiscal year 2018, on an accrual basis, the District reported (\$13,162,541) in pension expense and (\$1,301,026) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 and 75 makes it difficult to compare financial information between years as pension expense is a component of program expenses reported on the statement of activities.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the 2018 cost of program services and the 2018 net cost of those services after taking into account the program revenues for the governmental activities. As stated earlier, fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years as pension expense is a component of program expenses reported on the statement of activities.

Programs	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	\$ 11,100,327	\$ 10,236,581	\$ 23,905,768	\$ 23,311,680
Support services	10,712,652	9,686,094	14,106,410	13,122,007
Co - curricular student activities	1,022,988	645,046	1,423,545	1,235,889
Community services	505,665	(178,567)	908,612	(104,167)
Interest on long-term debt	361,856	361,856	386,212	386,212
Depreciation - unallocated	1,281,016	1,281,016	1,291,179	1,291,179
Total	\$ 24,984,504	\$ 22,032,026	\$ 42,021,726	\$ 39,242,800

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited (continued)

The property tax laws in Ohio create the need periodically to seek voter approval for additional operating funds. Tax revenues generated from voted tax levies do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts such as ours that are dependent upon property taxes as the primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs. Since the District must rely on voter approval of operating tax issues, management of the resources is of paramount concern to the District's administration and the voting public.

Local property and income taxes make up 70.9% of total revenues for governmental activities. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The District's Funds

The District's governmental funds reported a combined fund balance of \$34,227,221, which represents a decrease of \$3,639,111 as compared to last year's total of \$37,866,332 according to the Governmental Funds Balance Sheet. The schedule below shows the fund balance and the total change in fund balance from June 30, 2018 to 2017.

	Fund Balance at June 30, 2018	Fund Balance at June 30, 2017	Increase (Decrease)
General Fund	\$ 29,449,950	\$ 33,165,749	\$ (3,715,799)
Bond retirement fund	2,133,272	2,322,599	(189,327)
Other Governmental Funds	2,643,999	2,377,984	266,015
Total	<u>\$ 34,227,221</u>	<u>\$ 37,866,332</u>	<u>\$ (3,639,111)</u>

General Fund

The District's General Fund balance decreased \$3,715,799. This decrease is primarily a result of expenditure growth out pacing revenues. The tables that follow assist in illustrating the financial activities and balance of the General Fund.

Revenues	2018	2017	% Change
Property taxes	\$ 19,236,843	\$ 20,616,286	-6.69%
Income taxes	6,290,383	7,852,332	-19.89%
Intergovernmental	7,330,541	6,931,873	5.75%
Investment income	248,603	236,297	5.21%
Other revenue	313,700	403,410	-22.24%
Total	<u>\$ 33,420,070</u>	<u>\$ 36,040,198</u>	-7.27%

Total property tax revenue for the General fund decreased by \$1,379,443. The decrease is primarily a result of the timing of collections as well as the certification of revenues by the County. In Ohio, the portion of property taxes legally available as an advance, on the future August real estate settlement, by June 30 is reported as revenue on both the full accrual and modified accrual

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited (continued)

basis of accounting. Thus, in fiscal 2017, the County certified that the amount of taxes available for advance was approximately \$8.35 million whereas, the amount available for advance at June 30, 2018 was approximately \$7.6 million, thus resulting in a decrease in property tax revenues of \$.75 million in fiscal 2018, due to the timing of the certification of revenues. The Income tax decreased is due to 2017 being an exceptional collection year, thus resulting in higher refunds in fiscal 2018 which ultimately reduced fiscal 2018 revenues.

As the table below indicates, the largest portion of General Fund expenditures is for instructional services.

Expenditures by Function

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Instructional services	\$ 22,546,669	\$ 21,360,722	5.55%
Support services	12,660,181	12,333,967	2.64%
Co-curricular student activities	1,037,334	988,157	4.98%
Capital outlay	<u>685,685</u>	<u>1,059,801</u>	-35.30%
Total	<u>\$ 36,929,869</u>	<u>\$ 35,742,647</u>	3.32%

Expenditures increased 3.32% over the prior year mostly due salary and benefit increases.

Bond Retirement Fund

The Bond Retirement Fund, a debt service fund, is funded primarily with property tax revenue and state property tax allocation at the level necessary to meet debt service requirements. The \$189,327 decrease in fund balance is due to spending down available monies. See debt below.

Other Governmental Funds

Other governmental funds consist of Special Revenue and Capital Projects funds. Fund balance in these funds increased by \$266,015.

Capital Assets

The District has \$28,380,744 invested in governmental activity capital assets net of depreciation. Detailed information regarding capital asset activity is included in Note 7 of the Notes to the Basic Financial Statements.

Debt

On June 30, 2018, the District had \$13,019,991 in outstanding principal on its general obligation bonds. The District paid \$1,195,000 in principal on bonds outstanding and \$353,725 in interest and fiscal payments during the 2018 fiscal year.

Bexley City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited (continued)

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2018, the District's general obligation debt was below the legal limit.

General Fund Budget Information

The District's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. Changes are made to the District's budget as changes in revenues and spending patterns are experienced.

The District uses the five-year forecast as the original document from which to form the operating budget. After updating the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the District receives a per pupil allocation augmented with resources for special education students in the specific buildings. Budgets are reviewed periodically to ensure management becomes aware of any variations during the year.

Current Financial and Economic Conditions

The latest five-year forecast as prepared in October 2018 shows a positive cash balance through fiscal year 2021. However, the future financial stability of the District is not without challenges. The first challenge is for management to ensure resources can be preserved as long as possible by continuing to maintain careful financial planning and prudent fiscal management. The second challenge is based in the local economy and the state funding of education in Ohio.

The property tax laws in Ohio create the need periodically to seek voter approval for additional operating funds. Tax revenues generated from voted tax levies do not increase as a result of inflation. An operating levy is approved for a fixed millage rate, but the rate is reduced for inflation with the effect of providing the District the same amount of tax dollars as originally approved. Therefore, school districts such as ours that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs.

Request for Information

This financial report is designed to provide the citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show accountability for the money it receives. Questions concerning any information provided in this report or request for additional financial information should be addressed to the Treasurer of the Bexley City School District, Kyle Smith at 348 S. Cassingham Road, Bexley, Ohio 43209.

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Bexley City School District
STATEMENT OF NET POSITION
JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES
ASSETS:	
Cash and investments	\$ 27,195,306
Receivables	26,932,721
Due from other:	
Governments	451,501
Fiduciary Fund	2,376
Inventory	8,216
Prepaid assets	42,840
Capital assets:	
Land	154,150
Other capital assets, net	28,226,594
TOTAL ASSETS	83,013,704
DEFERRED OUTFLOWS OF RESOURCES :	
Deferred charges on refunding	310,821
Pension	12,170,981
OPEB	395,795
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,877,597
LIABILITIES:	
Accounts payable	916,423
Accrued liabilities	3,619,907
Long-term liabilities:	
Due within one year	378,006
Net pension liability	40,487,858
Net OPEB liability	9,039,529
Due in more than one year	15,858,943
TOTAL LIABILITIES	70,300,666
DEFERRED INFLOWS OF RESOURCES:	
Property taxes	14,613,150
Pension	2,738,872
OPEB	1,215,857
Tuition	1,433
TOTAL DEFERRED INFLOWS OF RESOURCES	18,569,312
NET POSITION	
Net investment in capital assets	15,671,574
Restricted for:	
Capital Projects	2,007,126
Debt Service	2,145,613
Other purposes	917,864
Unrestricted	(13,720,854)
TOTAL NET POSITION	\$ 7,021,323

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

Bexley City School District
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instructional services:				
Regular	\$ 7,890,086	117,066	68,106	(7,704,914)
Special	2,856,930	-	678,574	(2,178,356)
Vocational	353,311	-	-	(353,311)
Support services:				
Operation and maintenance of plant	3,798,137	-	-	(3,798,137)
School administration	1,371,331	-	36,901	(1,334,430)
Pupils	1,110,775	-	195,786	(914,989)
Business operations	1,479,271	-	20,788	(1,458,483)
Instructional staff	947,707	-	-	(947,707)
Student transportation	610,274	-	-	(610,274)
Food service	865,803	611,970	161,113	(92,720)
Central services	421,398	-	-	(421,398)
General administration	107,956	-	-	(107,956)
Co-curricular student activities	1,022,988	321,512	56,430	(645,046)
Community services	505,665	-	684,232	178,567
Interest on long-term debt	361,856	-	-	(361,856)
Depreciation - unallocated*	1,281,016	-	-	(1,281,016)
Total Governmental Activities	24,984,504	1,050,548	1,901,930	(22,032,026)

General revenues:

Property taxes:	
General purpose	19,041,910
Debt service	1,175,212
Permanent Improvements	560,102
Income tax	6,308,510
Grants and entitlements not restricted to specific programs	7,538,332
Investment earnings	280,340
Miscellaneous	345,757
Total general revenues	35,250,163
 Change in Net Position	 13,218,137
 Net Position Beginning of Year, as restated	 (6,196,814)
Net Position End of Year	\$ 7,021,323

* This amount excludes the depreciation that is included in the direct expenses of various programs.

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

Bexley City School District

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

	GENERAL	BOND RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and investments	\$ 22,781,064	1,611,789	2,802,453	27,195,306
Receivables:				
Property taxes	21,428,981	1,494,104	699,934	23,623,019
Income taxes	3,180,396	-	-	3,180,396
Other	121,670	-	7,636	129,306
Due from other:				
Governments	178,252	-	273,249	451,501
Interfund receivable	119,624	-	-	119,624
Inventory	-	-	8,216	8,216
Prepaid assets	42,840	-	-	42,840
TOTAL ASSETS	\$ 47,852,827	3,105,893	3,791,488	54,750,208
LIABILITIES:				
Accounts payable	\$ 729,137	8,079	179,207	916,423
Interfund payables	-	-	117,248	117,248
Accrued liabilities	3,373,722	-	218,169	3,591,891
TOTAL LIABILITIES	4,102,859	8,079	514,624	4,625,562
 DEFERRED INFLOWS OF RESOURCES	 14,300,018	 964,542	 632,865	 15,897,425
FUND BALANCES:				
Nonspendable:				
Inventory	-	-	8,216	8,216
Prepays	42,840	-	-	42,840
Restricted for:				
Debt service	-	2,133,272	-	2,133,272
Capital projects	-	-	1,988,220	1,988,220
Non-public schools	-	-	135,780	135,780
Food service operations	-	-	284,615	284,615
Community activities	-	-	120,672	120,672
Extracurricular activities	-	-	145,756	145,756
Assigned to:				
Instructional services	7,532,791	-	-	7,532,791
Other purposes	98,781	-	-	98,781
Unassigned	21,775,538	-	(39,260)	21,736,278
TOTAL FUND BALANCES	29,449,950	2,133,272	2,643,999	34,227,221
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 47,852,827	3,105,893	3,791,488	54,750,208

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

Bexley City School District
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET POSITION OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2018

Total Governmental Fund Balances \$ 34,227,221

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds. 28,380,744

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes receivable	638,075	
Income taxes receivable	464,782	
Due from other governments	179,985	
		1,282,842

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred outflows - Pension		12,170,981
Deferred inflows - Pension		(2,738,872)
Net pension liability		(40,487,858)

The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred outflows - OPEB		395,795
Deferred inflows - OPEB		(1,215,857)
Net OPEB liability		(9,039,529)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds:

Interest payable		(28,016)
Compensated absences		(1,660,481)
Bonds Payable, net:		
Bonds payable principal amount	(13,019,991)	
Accumulated accretion on discount debt	(1,064,623)	
Unamortized deferred amount on refunding	310,821	
Unamortized bond premium	(491,854)	
		(14,265,647)

Net Position of Governmental Activities \$ 7,021,323

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

Bexley City School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL	BOND RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Property taxes	\$ 19,236,843	1,173,415	561,140	20,971,398
Income tax	6,290,383	-	-	6,290,383
Intergovernmental:				
Federal Restricted Grants-in-aid	-	-	909,260	909,260
State:				
Unrestricted Grants-in-aid	7,330,541	207,791	-	7,538,332
Restricted Grants-in-aid	-	-	667,166	667,166
Investment income	248,603	-	31,737	280,340
Co-curricular activities	65,448	-	256,064	321,512
Charges for services	-	-	600,699	600,699
Tuition fees	117,066	-	-	117,066
Other	131,186	-	418,751	549,937
TOTAL REVENUES	33,420,070	1,381,206	3,444,817	38,246,093
EXPENDITURES:				
Current:				
Instructional services:				
Regular	17,370,354	-	177,850	17,548,204
Special	4,724,682	-	497,438	5,222,120
Vocational	451,633	-	-	451,633
TOTAL INSTRUCTIONAL SERVICES	22,546,669	-	675,288	23,221,957
Support services:				
Operation and maintenance of plant	3,779,022	-	-	3,779,022
School administration	2,530,894	-	35,897	2,566,791
Instructional staff	1,815,319	-	-	1,815,319
Pupils	1,946,291	-	188,105	2,134,396
Business operations	1,380,572	21,808	10,192	1,412,572
Student transportation	668,643	-	-	668,643
Food services	-	-	857,484	857,484
Central services	431,092	-	-	431,092
General administration	108,348	-	-	108,348
TOTAL SUPPORT SERVICES	12,660,181	21,808	1,091,678	13,773,667
Co-curricular student activities	1,037,334	-	338,799	1,376,133
Community services	-	-	867,886	867,886
Capital outlay	685,685	-	411,151	1,096,836
Debt service:				
Principal retirement	-	1,195,000	-	1,195,000
Interest	-	353,725	-	353,725
TOTAL EXPENDITURES	36,929,869	1,570,533	3,384,802	41,885,204
Excess (deficiency) of revenues over expenditures	(3,509,799)	(189,327)	60,015	(3,639,111)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	206,000	206,000
Transfers out	(206,000)	-	-	(206,000)
TOTAL OTHER FINANCING SOURCES (USES)	(206,000)	-	206,000	-
Net Change in Fund Balances	(3,715,799)	(189,327)	266,015	(3,639,111)
FUND BALANCES AT BEGINNING OF YEAR	33,165,749	2,322,599	2,377,984	37,866,332
FUND BALANCE AT END OF YEAR	\$ 29,449,950	2,133,272	2,643,999	34,227,221

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

Bexley City School District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Changes in Fund Balances - Total Governmental Funds \$ (3,639,111)

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

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

Capital outlay expenditures capitalized	189,129	
Depreciation expense	<u>(1,608,059)</u>	(1,418,930)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (43,452)

Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not result in an expense in the statement of activities.

General obligation debt principal payments	<u>1,195,000</u>	1,195,000
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Contractually required pension contributions are reported as expenditures in governmental funds; however, the Statement Net Position reports these amounts as deferred outflows. 2,797,882

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities 13,162,541

Contractually OPEB contributions are reported as expenditures in governmental funds; however, the Statement Net Position reports these amounts as deferred outflows. 84,518

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as pension expense in the Statement of Activities 1,301,026

Premium and discounts on bond issuance are reflected in the balance of the long-term liability and amortized against interest expense over the life of the new debt.

Amortization of bond premium (discount)	102,958	
Accretion of capital appreciation bonds	<u>(49,198)</u>	53,760

Deferred amounts resulting from the refunding bonds are reported as expenditures in the governmental fund, but these costs are capitalized and amortized to interest expense over the life of the new debt in the statement of activities.

Amortization of deferred amount on refunding	<u>(64,811)</u>	(64,811)
--	-----------------	----------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is recorded when due. 2,920

The expense related to compensated absences reported in the statement of activities does require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (213,206)

Change in Net Position of Governmental Activities \$ 13,218,137

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

Bexley City School District
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and investments	\$ 200,435
Receivables	<u>1,847</u>
Total assets	<u>\$ 202,282</u>
LIABILITIES	
Accounts Payable	\$ 2,197
Due to General Fund	2,376
Due to others	<u>197,709</u>
Total liabilities	<u>\$ 202,282</u>

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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2018

1. Reporting Entity

The Bexley City School District (the District) was organized May 1, 1918 and is a fiscally independent political subdivision of the State of Ohio. The District is governed by a five-member board of education (the Board) elected by the citizens of Bexley.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 61, The Financial Reporting Entity Omnibus – an amendment to GASB Statement No. 14 and 34, in that the financial statements include all organizations, activities, and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (i) the District's ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. On that basis, the reporting entity of the District includes the services of the District only (i.e., there are no component units).

The Bexley Public Library is a school district library created under Chapter 3375 of the Ohio Revised Code and is located in the Bexley City School District. The Board of Trustees of the Library controls and manages the Library and issues its own financial statements. Although the Bexley Board of Education is required to approve appointments to the Board of Trustees and to approve the annual budget, the Board has no authority to reject the Library's recommendations.

However, the District has no ability to influence the library's operations significantly, no accountability over the fiscal matters of the Library, nor any responsibility for the Library's deficits. Accordingly, other than the debt and related property tax revenue referred to in the preceding paragraph, the Library's financial statements are not included herein.

Education support services are provided by the Bexley Education Foundation (the Foundation). The Foundation has a separate nineteen-member Board of Governors. The Board is not appointed by the Bexley Board of Education. The Foundation is a separate entity from the District with no financial interdependency. The Foundation makes cash donations to the District which are approved by the Board of Education. These moneys are accounted for in the agency fund in these financial statements. All other monies of the Bexley Education Foundation are held by the Bexley Foundation at Fifth Third Bank and the Columbus Foundation in the name of the Bexley Education Foundation. The money is invested by the Columbus Foundation. Accordingly, the District has no oversight responsibilities. The Foundation's separate financial statements are not included herein. In addition, the District has no ability to significantly influence operations and no accountability over the fiscal matters of the Foundation.

Within the District boundaries, St. Charles Preparatory School is operated by the Columbus Diocese and Columbus School for Girls is a privately operated school. The State provides funding for these nonpublic schools. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the District, as directed by the nonpublic school. This financial activity is reflected in a special revenue fund for reporting purposes.

2. Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

(a) *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from legally separate *component units* for which the primary government is financially accountable. The District (primary government) has no business-type activities or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to those who benefit from the goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting this definition of program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has no proprietary funds.

(b) *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied, provided they are collected and advanced or available for advance by the county auditor by the fiscal year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fund financial statements in the fiscal year in which taxes have been levied, provided they are collected and advanced or available for advance by the county auditor by the fiscal year-end. Tuition, income taxes, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

The District reports the following *major* governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund, a 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 District's *nonmajor* governmental funds include the following fund types:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

Capital Project Funds – The nonmajor capital projects funds are used to account for financial resources to be used for building and permanent improvements and receipt and expenditures of SchoolNet monies.

Additionally, the District reports the following fund type:

Fiduciary Funds – Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. This includes Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District reports two agency funds, the Student Activities Agency Fund and the Bexley Educational Foundation Agency Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to those who benefit from the goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

(c) *Cash*

Monies received by the District are pooled in a central bank account with individual fund balance integrity retained throughout.

(d) *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds.

(e) *Investments*

The District records all its investments at fair value.

(f) *Inventory*

Inventory is valued at cost (first-in, first-out). The cost of inventory is recorded as an expenditure at the time individual inventory items are consumed.

Commodities are valued at fair market value at the time of Donation.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

(g) *Prepaid Assets*

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

(h) *Capital Assets and Depreciation*

General capital assets are those assets specifically related to activities reported in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$5,000 and a useful life of less than one year. The District does not possess any infrastructure.

All reported capital assets, with the exception of land 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:

Buildings & Improvements	10-40
Furniture and Equipment	5-20
Vehicles	5-20

(i) *Interfund Activity*

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.

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

(j) *Compensated Absence*

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

Administrators and classified staff who work twelve month contracts are granted vacation leave. The leave amount is based on length of service and position. The District accrues vacation leave benefits as earned. Accrued vacation may be carried forward to the next fiscal year. The maximum amount to be carried at any one time is 1.5 times the annual number of days.

District employees earn sick leave at fifteen days per year which, if not taken, accumulates on an unlimited basis until retirement. All employees may be paid upon retirement: 1.) one-fourth of the accumulated sick leave up to a maximum of 54 days; and 2.) one-tenth of the days over an accumulated balance of 250 days. All staff members who resign after ten years of Bexley service may be paid one-fourth of accumulated sick leave up to a maximum of 25 days.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accrued liabilities account in the fund or funds from which the employees who have accumulated the leave are paid.

(k) Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt is reported in the government-wide financial statements. Compensated absences are recognized as fund liabilities to the extent payments come due each period upon occurrence of resignation and retirement.

(l) Deferred Inflows / Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The District has two item that qualifies for reporting in this category, deferred charges on refundings and certain pension and OPEB charges, which both are reported in the government-wide statement of net position. A deferred charge 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. The deferred outflows related to pensions and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has nonexchange revenue transactions where a receivable has been recorded because property taxes were levied, but the resources cannot be used until a future period. This item has been reported as deferred inflows on the government-wide statement of net position. The deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position. See Note 9 and 10 for further information.

On the modified accrual basis of accounting, the District has recorded certain receivables where the related revenue is unavailable. Unavailable revenues have been reported as deferred inflows of resources on the governmental fund balance sheet.

(m) Fund Balance / Restrictions

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net position are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

The District does not have a formal minimum fund balance policy.

(n) *Management Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

(o) *Extraordinary and Special Items*

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. At June 30, 2018, the District had no events which qualified as an extraordinary or special item.

(p) *Unamortized Bond Premium and Deferred Amounts on Refunding*

In the government-wide financial statements bond premiums and deferred amounts on refunding are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium. Deferred amounts on refunding are recorded as deferred outflows and amortized over the term of the related debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(q) *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 externally imposed by creditors, contributors, grantors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District has no restricted assets.

(r) *Pensions/Other Postemployment Benefits (OPEB)*

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

(s) *Fair Value*

The 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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

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.

3. Deposits and Investments

The investment and deposit of the District's monies is governed by the provisions of the ORC. In accordance with these statutes, the District is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; money market funds secured by United States obligations; and STAROhio. During fiscal year 2018, investments were limited to STAROhio and STAR Plus, CDs, Commercial paper and federal agency securities. Earnings on investments are credited to the General Fund except earnings specifically related to the Capital Projects Fund, Food Service Fund, and the and Certain Special Revenue Funds in compliance with ORC Section 3315.01 and board policy. In fiscal 2018, the District reported total interest income of \$280,340 (\$248,603 in the General Fund and \$31,737 in Other Governmental Funds).

The District records all investment at fair value with the exception of repurchase agreements and nonnegotiable certificates of deposits which are recorded at cost. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but has adopted Governmental Accounting Standard Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investments 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 an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitation 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 participant will be combined for these purposes."

The District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

According to state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During 2018, the District and public depositories complied with the provisions of these statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

At June 30, 2018, the carrying amount of all District deposits was \$6,406,477. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2018, the District had a bank balance of \$6,431,451. Of this bank balance \$6,183,707 was covered by Federal Deposit Insurance Corporation and the remaining \$247,774 was exposed to custodial risk.

As of June 30, 2018, the District had the following investments and maturities.

Investment type	Par	Investment Maturities PAR				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAROhio	\$ 4,345,633	4,345,633	-	-	-	-
Commercial Paper	6,348,621	6,348,621	-	-	-	-
FHLMC	4,172,992	500,000	-	250,000	2,522,000	900,992
FFCB	3,402,190	500,000	1,000,000	-	-	1,902,190
FNMA	1,570,318	-	-	748,688	-	821,630
FHLB	1,351,000	-	-	750,000	-	601,000
	\$ 21,190,754	<u>11,694,254</u>	<u>1,000,000</u>	<u>1,748,688</u>	<u>2,522,000</u>	<u>4,225,812</u>
Fair Value Adjustment	(201,490)					
Fair Value	<u>20,989,264</u>					

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to two years or less.

Credit Risk. The District does not have a formal policy limiting credit risk. The District's investments in FHLMC, FFCB FNMA, and FHLB were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned StarOhio an AAAm money market rating.

Concentration of Credit Risk. The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2018:

Investment type	PAR	% to total
STAROhio	\$ 4,345,633	20.51%
Comercial Paper	6,348,621	29.96%
FHLMC	4,172,992	19.69%
FFCB	3,402,190	16.05%
FNMA	1,570,318	7.41%
FHLB	<u>1,351,000</u>	<u>6.38%</u>
Total	<u>\$ 21,190,754</u>	<u>100.00%</u>

Custodial Credit Risk for Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy related to custodial credit risk for investments; however, all of the District's investments are book-entry securities held by a safekeeping agent and are, therefore, not exposed to custodial credit risk.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

4. Receivables

Receivables at June 30, 2018, consist of the following:

	Property Taxes	Income Taxes	Interest	Other	Totals
Governmental activities:					
General	\$ 21,428,981	3,180,396	109,397	12,273	\$ 24,731,047
Bond retirement fund	1,494,104	-	-	-	1,494,104
Other governmental funds	699,934	-	3,683	3,953	707,570
Total	<u>\$ 23,623,019</u>	<u>3,180,396</u>	<u>113,080</u>	<u>16,226</u>	<u>\$ 26,932,721</u>

5. Accrued Liabilities

Accrued Liabilities at June 30, 2018, consist of the following:

	Accrued Wages & Benefits	Compensated Absences	Totals
Governmental activities:			
General	\$ 3,298,542	75,180	3,373,722
Other governmental funds	218,169	-	218,169
Total governmental fund accrued liabilities	<u>\$ 3,516,711</u>	<u>75,180</u>	3,591,891
Accrued interest payable			28,016
Total government-wide accrued liabilities			<u>\$ 3,619,907</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

6. Deferred Outflows / Inflows of Resources

Deferred outflows of resources on the Statement of Net Position represents the unamortized portion of deferred charges on refundings, as well of deferred outflows for Pensions. See notes 9 and 10.

Deferred inflows of resources on the Statement of Net Position represents the property taxes receivable which were levied for next year's budget, as well as deferred inflows for Pensions. See Notes 9 and 10.

Deferred inflows of resources on the Governmental Balance Sheet at June 30, 2018, consist of the following:

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total
Property tax - for future period	\$ 13,254,991	\$ 924,185	\$ 433,974	\$ 14,613,150
Property tax - unavailable delinquent amount	578,812	40,357	18,906	638,075
Income tax - not received in the available period	464,782	-	-	464,782
Grant revenue - not received in the available period	-	-	179,985	179,985
Other-Tuition	1,433	-	-	1,433
Total deferred inflows of resources	<u>\$ 14,300,018</u>	<u>\$ 964,542</u>	<u>\$ 632,865</u>	<u>\$ 15,897,425</u>

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BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

7. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018, follows:

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	154,150	-	-	154,150
Total capital assets, not being depreciated	<u>154,150</u>	<u>-</u>	<u>-</u>	<u>154,150</u>
Capital assets, being depreciated:				
Building and improvements	53,685,650	21,069	-	53,706,719
Furniture, fixtures and equipment	3,250,975	75,000	-	3,325,975
Buses, autos and trucks	1,029,753	93,060	-	1,122,813
Total capital assets, being depreciated	<u>57,966,378</u>	<u>189,129</u>	<u>-</u>	<u>58,155,507</u>
Less accumulated depreciation for:				
Building and improvements	25,009,292	1,310,684	-	26,319,976
Furniture, fixtures and equipment	2,466,624	241,152	-	2,707,776
Buses, autos and trucks	844,938	56,223	-	901,161
Total accumulated depreciation	<u>28,320,854</u>	<u>1,608,059</u>	<u>-</u>	<u>29,928,913</u>
Total capital assets, being depreciated, net	<u>29,645,524</u>	<u>(1,418,930)</u>	<u>-</u>	<u>28,226,594</u>
Capital assets, net	<u>29,799,674</u>	<u>(1,418,930)</u>	<u>-</u>	<u>28,380,744</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services:	
Regular	\$ 91,150
Support services:	
Operation and maintenance of plant	56,563
School administration	1,981
Pupils	451
Business operations	73,534
Instructional staff	3,016
Student transportation	46,290
Food services	6,617
Central services	562
Co-curricular student activities	46,879
Unallocated	1,281,016
Total depreciation	<u>\$ 1,608,059</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

8. Long-Term Obligations

A summary for changes in long-term obligations for the year ended June 30, 2018, follows:

	Balance June 30, 2017	Additions	Payments/ Reductions	Balance June 30, 2018	Due in One Year
Compensated absences (accrued vacation and sick leave)	1,447,275	537,688	324,482	1,660,481	248,015
General obligation bonds payable	14,214,991	-	1,195,000	13,019,991	129,991
	<u>15,662,266</u>	<u>537,688</u>	<u>1,519,482</u>	<u>14,680,472</u>	<u>378,006</u>

The general obligation bonds are a direct obligation of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District from the bond retirement fund.

In the opinion of management, the District has complied with all bond covenants.

In September 2015, the District sold \$8,105,000 of refunding bonds with final maturity on December 1, 2027. These bonds refunded \$8,380,000 of the District's 2005 Refunding Bonds, dated December 7, 2005. The final maturity of the 2003 Bonds had been December 1, 2027. The refunding resulted in a premium of \$466,562. The transaction resulted in an economic gain of \$1,190,182 (present value) and a reduction of \$1,390,571 in future debt service payments.

In March 2016, the District sold \$7,180,000 of refunding bonds with final maturity on December 1, 2022. These bonds refunded \$7,250,000 of the District's 2014 Refunding Bonds, dated June 1, 2014. The final maturity of the 2014 Bonds had been December 1, 2022. The refunding resulted in a premium of \$243,737. The transaction resulted in an economic gain of \$660,752 (present value) and a reduction of \$784,085 in future debt service payments.

Reconciliation of Long-term Liabilities to the Statement of Net Position

The following is a reconciliation of long-term liabilities to the Statement of Net Position as of June 30, 2018:

Long-term Liabilities (summarized above)	\$ 14,680,472
Accumulated Accretion on Discount Debt	1,064,623
Unamortized Bond Premium	491,854
Net pension obligation (see note 9)	40,487,858
Net OPEB obligation (see note 10)	9,039,529
Total	<u>\$ 65,764,336</u>

Governmental Activities

Long-term Liabilities:	
Due within one year	\$ 378,006
Due in more than one year	65,386,330
Total Long-term Liabilities - governmental activities	<u>\$ 65,764,336</u>

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

The annual maturities of the general obligation bonds as of June 30, 2018, and related interest payments are as follows:

<u>Year ending June 30,</u>	<u>Interest rate (%)</u>	<u>Principal</u>	<u>Interest</u>
2019	3.0 - 4.00	129,991	1,426,209
2020	2.0 - 5.00	1,230,000	323,900
2021	2.0 - 4.75	1,250,000	299,100
2022	2.0 - 4.75	1,270,000	273,900
2023	2.0 - 4.75	1,300,000	248,200
2024-2028	2.0 - 4.25	7,840,000	602,250
Total		<u>\$ 13,019,991</u>	<u>\$ 3,173,559</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At June 30, 2018, the District's total net debt was approximately 2.33% (2.87% at June 30, 2017) of the total assessed value of all property within the school district. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Franklin County and the City of Bexley. These debt limitation calculations exclude \$1,064,623 in accretion of deep discount debt in accordance with State Law. As of June 30, 2018, these entities have complied with the requirement that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

Advance Refunding

As discussed above, the District in prior years defeased certain Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. As of June 30, 2018, \$13,325,000 bonds that the District defeased in previous years are still outstanding with the escrow agent.

9. Defined Benefit Pension Plans

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 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 District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the 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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

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 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. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contributions to SERS was \$545,899 for fiscal year 2018.

State Teachers Retirement System

Plan Description – 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. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. 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 until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit 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

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

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 service. 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.

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, 2017, plan members were required to contribute 14 percent of their annual covered salary. The 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 District's contractually required contributions to STRS was \$2,251,983 for fiscal year 2018.

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 District's proportion of the net pension liability was based on the 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:

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability - Prior Measurement Date	0.12336000%	0.14206800%	
Proportion of the Net Pension Liability - Current Measurement Date	0.12814950%	0.13820632%	
Change in Proportionate Share	0.00478950%	-0.00386168%	
Proportionate Share of the Net Pension Liability	\$7,656,650	\$32,831,208	\$40,487,858
Pension Expense	(\$111,119)	(\$13,051,422)	(\$13,162,541)

At June 30, 2018, the 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	\$329,517	\$1,267,787	\$1,597,304
Changes of assumptions	395,930	7,180,496	\$7,576,426
Changes in proportion and differences District contributions subsequent to the measurement date	199,369	-	199,369
	<u>545,899</u>	<u>2,251,983</u>	<u>2,797,882</u>
Total Deferred Outflows of Resources	<u>\$1,470,715</u>	<u>\$10,700,266</u>	<u>\$12,170,981</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$264,606	\$264,606
Net difference between projected and actual earnings on pension plan investments	\$36,343	\$1,083,465	\$1,119,808
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>\$ 128,415</u>	<u>\$ 1,226,043</u>	<u>\$ 1,354,458</u>
Total Deferred Inflows of Resources	<u>\$164,758</u>	<u>\$2,574,114</u>	<u>\$2,738,872</u>

\$2,797,882 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$260,149	\$3,799,463	\$4,059,612
2020	508,360	5,273,352	5,781,712
2021	170,043	1,722,731	1,892,774
2022	(178,493)	471,965	293,472
Total	\$760,059	\$11,267,511	\$12,027,570

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	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the 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, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was 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 for the five year period ended June 30, 2015.

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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 asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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
 Total	 <u>100.00 %</u>	

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 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	\$10,625,440	\$7,656,650	\$5,169,682

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

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	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, 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.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's 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
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

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Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the 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 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%)
School District's proportionate share of the net pension liability	\$47,062,419	\$32,831,208	\$20,843,545

10. Defined Benefit OPEB Plans

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.

The net OPEB liability represents the 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.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the 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.

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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*.

Plan Description School Employee Retirement System (SERS)

Health Care Plan Description - The 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.

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 District's surcharge obligation was \$64,192.

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 District's contractually required contribution to SERS was \$84,518 for fiscal year 2018.

Plan Description State Teachers Retirement System

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

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. 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 did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

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 District's proportion of the net OPEB liability was based on the 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.13029159%	0.14206800%	
Proportion of the net OPEB liability current measurement date	<u>0.12919400%</u>	<u>0.13820632%</u>	
Change in proportionate share	<u>-0.00109759%</u>	<u>-0.00386168%</u>	
Proportionate share of the net OPEB liability	\$ 3,647,228	\$ 5,392,301	\$ 9,039,529
OPEB expense	\$ 373,917	\$ (1,674,943)	\$ (1,301,026)

At June 30, 2018, the 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	\$ -	\$ 311,277	\$ 311,277
District contributions subsequent to the measurement date	<u>84,518</u>	<u>-</u>	<u>84,518</u>
Total deferred outflows of resources	<u>\$ 84,518</u>	<u>\$ 311,277</u>	<u>\$ 395,795</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 9,156	\$ 230,479	\$ 239,635
Changes of assumptions	329,022	434,367	763,389
Change in the employer's proportion percentage/ diff. between the employer's contributions and the employer's proportional share of contributions	<u>35,812</u>	<u>177,021</u>	<u>212,833</u>
Total deferred inflows of resources	<u>\$ 373,990</u>	<u>\$ 841,867</u>	<u>\$ 1,215,857</u>

\$84,518 reported as deferred outflows of resources related to OPEB resulting from 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:

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Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (134,476)	\$ (107,639)	\$ (242,115)
2020	(134,476)	(107,639)	(242,115)
2021	(102,749)	(107,639)	(210,388)
2022	(2,289)	(107,639)	(109,928)
2023	-	(50,019)	(50,019)
Thereafter	-	(50,015)	(50,015)
Total	<u>\$ (373,990)</u>	<u>\$ (530,590)</u>	<u>\$ (904,580)</u>

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 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 assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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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.

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 %
US Stocks	22.50	4.75
Non-US 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
Total	<u>100.00 %</u>	

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.

Sensitivity of the 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

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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%)
District's proportionate share of the net OPEB liability	\$ 4,187,119	\$ 3,467,228	\$ 2,896,890

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 2,813,395	\$ 3,467,228	\$ 4,332,586

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.

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.

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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:

<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
 Total	 <u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

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 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.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Council's proportionate share of the net OPEB liability	\$ 7,239,077	\$ 5,392,301	\$ 3,932,744
	1% Decrease	Current Trend Rate	1% Increase
Council's proportionate share of the net OPEB liability	\$ 3,746,339	\$ 5,392,301	\$ 7,558,578

11. Property Taxes

Property taxes include amounts levied against all real, public utility property, and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 with real property taxes.

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Franklin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County 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 includes personal property and public utility taxes, and the late June personal property settlement which are 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, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations.

On a full accrual basis, collectible delinquent property taxes and the amount available as an advance have been recorded as a receivable and revenue while the rest of the receivable is deferred. On a modified accrual basis, only the amount available as an advance is recognized as revenue.

The assessed values for collection in 2018 were as follows:

Real Estate	\$553,817,240
Public Utility	5,330,360
Total	\$559,147,600

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

12. Risk Management and Contingent Liabilities

The District is exposed to various risks of loss from personnel actions, injuries to employees, theft or destruction of assets, and legal challenges to fiduciary decisions. To cover these risks, the District maintains property and casualty insurance of approximately \$115.6 million and personal liability insurance in the amount of \$1 million per occurrence and \$3 million in the aggregate. There was no reduction in coverage and no claims exceeded insurance coverage for the past three years. The District is registered and insured through the Ohio Bureau of Workers' Compensation for injuries to employees.

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2017 year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula of the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As a result of fiscal year 2018 reviews, the District is due \$53,984 from ODE. This amount has not been included in the financial statements.

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effects of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

13. Set-Aside Calculations

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. State law has set the amount for the set-aside at the number of students times 3% of the average cost per pupil.

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

	Capital Maintenance Reserve
Set-aside balance, July 1, 2017	\$ -
Current year set-aside requirement	418,757
Qualifying expenditures	(980,437)
Total	\$ (561,680)
Set-aside balance, June 30, 2018	\$ -

Amounts listed as qualifying disbursements in this table are the total amounts for the year. The District had qualifying disbursements and off-sets during the year that reduced the set-aside amounts below zero for the capital maintenance reserve. However, these amounts may not be used to reduce the set-aside requirement for future fiscal years.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

14. Jointly Governed Organization

META Solutions

The District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. Financial information can be obtained from David Varda, CFO, 100 Executive Drive, Marion, Ohio 43302.

15. Interfund Activity

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables on the fund basis:

	Receivable	Payable
Interfund Receivables/Payables		
General Fund	\$ 119,624	
Other Governmental Funds		117,248
Agency Fund Funds	-	2,376
Total governmental activities	\$ 119,624	119,624

Interfund advances are made to provide funds for federal projects and several activity funds until funding is received and are reported as Interfund Receivables/Payables. In general, interfund advances are made at the end of the fiscal year and then returned the next fiscal year when funding is received.

For the year ended June 30, 2018, transfers consisted of the following:

	Total	Transfers In Other
	Transfers Out	Governmental Funds
<i>General Fund:</i>		
Nonreciprocal interfund transfer to fund food service operations	\$ 125,000	125,000
Nonreciprocal interfund transfer to fund Permanent Improvements	25,000	25,000
Nonreciprocal interfund transfer to fund District managed student activities	56,000	56,000
Total General Fund	206,000	206,000
Total Governmental Activities	\$ 206,000	206,000

The above operating transfers were used to supplement the operations of such funds. All transfers are considered allowable in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

BEXLEY CITY SCHOOL DISTRICT
Notes to the Basic Financial Statements, continued
June 30, 2018

16. Subsequent Event

There were no subsequent events to report as of the date of this report.

17. Change in Accounting Principles and Restatement

Change in Accounting Principle

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 10 to the basic financial statements, and added required supplementary information which is presented after these notes to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses 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 OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.. GASB Statement No. 86 improves 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 the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

Restatement for GASB No 75

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

Net position as previously reported	\$ 5,048,321
Deferred outflows - payments subsequent to measurement date	66,491
Net OPEB liability	<u>(11,311,626)</u>
Restated net position at July 1, 2017	<u>\$ (6,196,814)</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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Bexley City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 20,594,000	\$ 19,986,370	\$ 19,986,363	\$ (7)
Income Tax	7,200,000	7,000,000	6,845,069	(154,931)
Intergovernmental	6,936,000	7,181,612	7,152,289	(29,323)
Interest	250,000	381,100	414,072	32,972
Tuition and Fees	50,500	114,060	114,180	120
Rent	15,000	15,000	9,890	(5,110)
Gifts and Donations	2,000	2,000		(2,000)
Miscellaneous	70,200	70,300	67,119	(3,181)
Total Revenues	<u>35,117,700</u>	<u>34,750,442</u>	<u>34,588,982</u>	<u>(161,460)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	17,781,016	18,182,108	17,768,385	413,723
Special	4,990,246	4,959,830	4,867,841	91,989
Vocational	325,005	441,163	439,265	1,898
Other	42,682	33,183	20,213	12,970
Support Services:				
Pupils	1,835,112	2,029,127	1,978,818	50,309
Instructional Staff	2,060,837	1,995,501	1,863,950	131,551
Board of Education	264,598	162,104	149,949	12,155
Administration	2,447,463	2,574,537	2,544,047	30,490
Fiscal	1,134,234	1,118,086	1,049,134	68,952
Business	402,925	411,858	405,707	6,151
Operation and Maintenance of Plant	4,169,561	4,068,974	3,984,955	84,019
Pupil Transportation	667,589	682,532	670,736	11,796
Central	552,672	531,402	445,029	86,373
Extracurricular Activities:				
Academic Oriented Activities	166,738	168,667	158,023	10,644
Sport Oriented Activities	792,730	842,145	821,362	20,783
School and Public Service Co-Curricular Activities	51,830	54,253	48,235	6,018
Capital Outlay:				
Site Improvement Services	299,335	380,460	376,816	3,644
Architecture and Engineering Services	11,373	21,300	21,300	
Building Acquisition and Construction	3,000	699	699	
Building Improvement Services	987,518	920,709	903,812	16,897
Total Expenditures	<u>38,986,464.00</u>	<u>39,578,638</u>	<u>38,518,276</u>	<u>1,060,362</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,868,764)</u>	<u>(4,828,196)</u>	<u>(3,929,294)</u>	<u>898,902</u>
OTHER FINANCING SOURCES AND USES:				
Advances In		117,640	117,638	(2)
Proceeds from Sale of Capital Assets	5,000	5,000	1,221	(3,779)
Refund of Prior Year Expenditures	30,000	139,520	139,519	(1)
Transfers Out	(325,000)	(300,000)	(231,000)	69,000
Advances Out	(130,000)	(130,000)	(117,248)	12,752
Total Other Financing Sources and Uses	<u>(420,000)</u>	<u>(167,840)</u>	<u>(89,870)</u>	<u>77,970</u>
Net Change in Fund Balances	(4,288,764)	(4,996,036)	(4,019,164)	976,872
Fund Balance (Deficit) at Beginning of Year	24,025,864	24,025,864	24,025,864	
Prior Year Encumbrances Appropriated	<u>1,447,446</u>	<u>1,447,446</u>	<u>1,447,446</u>	<u></u>
Fund Balance (Deficit) at End of Year	<u>\$ 21,184,546</u>	<u>\$ 20,477,274</u>	<u>\$ 21,454,146</u>	<u>\$ 976,872</u>

Bexley City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)(2)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.1281495%	0.1233597%	0.1241600%	0.1245780%	0.1245780%
District's Proportionate Share of the Net Pension Liability	\$ 7,656,650	\$ 9,028,792	\$ 7,084,661	\$ 6,304,822	\$ 7,408,254
District's Covered-Employee payroll	\$ 4,125,571	\$ 4,018,536	\$ 3,737,845	\$ 3,620,000	\$ 3,529,140
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	185.59%	224.68%	189.54%	174.17%	209.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	69.50%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end

Bexley City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)(2)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.138206%	0.142068%	0.143806%	0.147878%	0.147878%
District's Proportionate Share of the Net Pension Liability	\$ 32,831,208	\$ 47,554,365	\$ 39,743,761	\$ 35,969,059	\$ 42,846,108
District's Covered-Employee payroll	\$ 19,779,107	\$ 17,190,021	\$ 15,003,743	\$ 15,109,054	\$ 17,678,292
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	165.99%	276.64%	264.89%	238.06%	242.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.29%	75.30%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end

Bexley City School District
Required Supplementary Information
Schedule of District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 545,899	\$ 577,580	\$ 562,595	\$ 492,648
Contributions in Relation to the Contractually Required Contributions	(545,899)	(577,580)	(562,595)	(492,648)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 3,899,279	\$ 4,125,571	\$ 4,018,536	\$ 3,737,845
Contributions as a percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.18%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 501,732	\$ 488,433	\$ 488,417	\$ 484,298	\$ 472,219	\$ 465,920
(501,732)	(488,433)	(488,417)	(484,298)	(472,219)	(465,920)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,620,000	\$ 3,529,140	\$ 3,631,353	\$ 3,852,808	\$ 3,487,585	\$ 4,734,959
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

Bexley City School District
Required Supplementary Information
Schedule of District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 2,251,983	\$ 2,769,075	\$ 2,406,603	\$ 2,100,524
Contributions in Relation to the Contractually Required Contributions	(2,251,983)	(2,769,075)	(2,406,603)	(2,100,524)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 16,085,593	\$ 19,779,107	\$ 17,190,021	\$ 15,003,743
Contributions as a percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$	1,964,177	\$ 2,298,178	\$ 2,243,642	\$ 2,299,552	\$ 2,286,237	\$ 2,232,647
	(1,964,177)	(2,298,178)	(2,243,642)	(2,299,552)	(2,286,237)	(2,232,647)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$	15,109,054	\$ 17,678,292	\$ 17,258,785	\$ 17,688,862	\$ 17,586,438	\$ 17,174,208
	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Bexley City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of
the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Years (1)(2)

	<u>2017</u>	<u>2016</u>
District's Proportion of the Net OPEB Liability	0.1291940%	0.1302916%
District's Proportionate Share of the NET OPEB Liability	\$ 3,647,228	\$ 3,713,792
District's Covered-Employee payroll	\$ 4,125,571	\$ 4,018,536
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	88.41%	92.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end

Bexley City School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)(2)

	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.138206%	0.142068%
District's Proportionate Share of the NET OPEB Liability	\$ 5,392,301	\$ 7,597,834
District's Covered-Employee payroll	\$ 19,779,107	\$ 17,190,021
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	27.26%	44.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end

Bexley City School District
Required Supplementary Information
Schedule of District's OPEB Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ 84,518	\$ 68,897	\$ 29,737	\$ 27,660
Contributions in Relation to the Contractually Required Contributions	(84,518)	(68,897)	(29,737)	(27,660)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 3,899,279	\$ 4,125,571	\$ 4,018,536	\$ 3,737,845
Contributions as a percentage of Covered-Employee Payroll	2.15%	1.67%	0.74%	0.74%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 32,580	\$ 31,409	\$ 45,392	\$ 94,394	\$ 88,933	\$ 203,603
(32,580)	(31,409)	(45,392)	(94,394)	(88,933)	(203,603)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,620,000	\$ 3,529,140	\$ 3,631,353	\$ 3,852,808	\$ 3,487,585	\$ 4,734,959
0.90%	0.89%	1.25%	2.45%	2.55%	4.30%

Bexley City School District
Required Supplementary Information
Schedule of District's OPEB Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contributions	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contributions	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 16,085,593	\$ 19,779,107	\$ 17,190,021	\$ 15,003,743
Contributions as a percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 151,091	\$ 176,783	\$ 172,588	\$ 176,889	\$ 175,864	\$ 171,742
(151,091)	(176,783)	(172,588)	(176,889)	(175,864)	(171,742)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,109,054	\$ 17,678,292	\$ 17,258,785	\$ 17,688,862	\$ 17,586,438	\$ 17,174,208
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

BEXLEY CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information
June 30, 2018

A. Budgetary Information

All governmental fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditures budget data reported in the budgetary comparison schedule:

(1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Bexley Board of Education normally adopts the Tax Budget at its December regular meeting or the Organization meeting in early January.

(2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

(3) An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the current year. The Board adopted its 2018 appropriation measure in September 2017. The Board of Education adopted a temporary appropriation measure in June 2017 to allow the District to operate until its annual appropriations were adopted. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual buildings and/or departments may transfer funds within their budgets. Supplemental appropriations are presented during the year and include the transfers requested by staff and any amendments to fund unanticipated expenditures. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level. At year-end appropriations did not exceed estimated resources and expenditures did not exceed appropriations in any fund at the object level. Appropriations for advances-in/advances-out by law are not required and are not budgeted.

B. Reconciling Budgetary Basis and GAAP

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual column presented on the Budgetary Comparison Schedule – General Fund is prepared in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- B. Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis); and
- C. Investments are recorded at cost (budget basis) as opposed to fair value (GAAP basis).

BEXLEY CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information, Continued
June 30, 2018

A reconciliation of the General Fund results of operations at the end of the year on the GAAP basis to the budget basis follows:

Net Change in Fund Balance (GAAP Basis)	\$ (3,715,799)
Adjustments, net	
Revenue Accruals	1,236,974
Expenditure Accruals	(1,672,163)
Other financing sources/(uses)	116,130
Funds budgeted as Special Revenue Funds	15,694
Net Change in Fund Balance (Budget Basis)	\$ (4,019,164)

C. Changes in Assumptions – SERS

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 disable member 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.

D. Changes in Assumptions – STRS

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2018.

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**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster				
Non-Cash Assistant School Lunch (Food Distribution)				
School Breakfast Program	10.553	N/A	\$ -	\$ 4,719
National School Lunch Program	10.555	N/A	-	22,063
School Breakfast Program	10.553	N/A	-	23,670
National School Lunch Program	10.555	N/A	-	110,661
Total Nutrition Cluster			<u>\$ -</u>	<u>\$ 161,113</u>
Total U.S. Department of Agriculture			<u>\$ -</u>	<u>\$ 161,113</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education - Grants to States	84.027	N/A	-	56,012
Special Education - Grants to States	84.027	N/A	-	436,944
Total Special Education - Grants to States				<u>492,956</u>
Special Education Early Childhood Special Education	84.173	N/A	-	10,717
Total Early Childhood Education				<u>10,717</u>
Special Education - Parent Mentoring Program	84.027	N/A	-	3,629
Special Education - Parent Mentoring Program	84.027	N/A	-	8,683
Total Special Education - Parent Mentoring Program				<u>12,312</u>
Total Special Education Cluster				515,985
Title I Grants to Local Educational Agencies	84.010	N/A	-	32,934
Title I Grants to Local Educational Agencies	84.010	N/A	-	155,754
Total Title I Grants to Local Education Agencies				<u>188,688</u>
Supporting Effective Instruction State Grant	84.367	N/A	-	6,469
Supporting Effective Instruction State Grant	84.367	N/A	-	39,338
Total Supporting Effective Instruction State Grant				<u>45,807</u>
English Language Acquisition Grants	84.365	N/A	-	2,875
Total English Language Acquisition Grants				<u>2,875</u>
Total U.S. Department of Education			<u>\$ -</u>	<u>\$ 753,355</u>
Total			<u><u>\$ -</u></u>	<u><u>\$ 914,468</u></u>

The accompanying notes are an integral part of this schedule.

**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN 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 Bexley City School District (the District's) 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 or changes in net position 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.

NOTE C- INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – 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*

Bexley City School District
Franklin County
348 South Cassingham Road
Bexley, Ohio 43209

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 Bexley City School District, Franklin 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 and have issued our report thereon dated March 19, 2019, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) 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 School 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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*.

District's Response to Finding

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

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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 19, 2019



**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**

Bexley City School District
Franklin County
348 South Cassingham Road
Bexley, Ohio 43209

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Bexley City School District's, Franklin County, Ohio (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 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 Bexley City School District, Franklin County, Ohio 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's compliance requirement will not be prevented, or timely detected or corrected. A significant deficiency in internal over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a 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 tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 19, 2019

**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in reported at the financial statement level (GAGAS)?	Yes
<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
<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

**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

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

FINDING NUMBER 2018-001

Accurate Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

An overstatement of Deferred Outflows and Deferred Inflows and understatement of Pension Expense in Governmental Activities of \$5,393,342, \$209,232 and \$5,184,110 was material to the District's financial statements and was adjusted to the financial statements. This adjustment was due to the improper calculation of the District's Net Pension Liability and related Deferred Outflows and Inflows.

An overstatement of Capital Assets, Beginning Net Position and Depreciation Expense in the Governmental Activities of \$1,919,612, \$2,036,956 and \$117,344 was material to the District's financial statement and was adjusted to the financial statements. This adjustment was due to the improper valuation of the District's Capital Assets.

An understatement of Assigned Fund Balance in the General Fund of \$6,832,284 was material to the District's financial statements and was adjusted to the financial statements. This adjustment was due to the improper calculation of the District's Assigned Fund Balances and designating amounts assigned for future appropriations.

In addition to the adjustments noted above, we also identified additional misstatements ranging from \$24,496 to \$443,893 that we have brought to the District's attention.

Lack or failure of controls in place over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the District develop policies and procedures to enhance its controls over recording of financial reporting to help ensure the information accurately reflects the activity of the District thereby increasing the reliability of the financial data throughout the year.

Officials' Response: See Corrective Action Plan.

**BEXLEY CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

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

3. FINDINGS FOR FEDERAL AWARDS

None.



Bexley City School District

A community of learners becoming productive global citizens and leaders

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Significant Deficiency – Financial Reporting; various adjustments that occurred during the 2017 audit.	Not Corrected; Repeated as Finding 2018-001	Reoccurred during current audit period. Treasurer's office is working on a proper review practice to put in place.



Bexley City School District

A community of learners becoming productive global citizens and leaders

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	<p>Management acknowledges our responsibility to accurately prepare its basic financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement.</p> <p>The overall calculation of the components of the net pension liability is a significant estimate from year to year. The District's GAAP Consultant inadvertently used an inaccurate formula to calculate the GASB 68 Pension Expense and related Deferred Outflows and Inflows as discussed in the referenced finding. During the review process, additional analytical procedures were applied to such numbers, however, due to the significant variance in the actual numbers from a year to year basis, these additional analytical procedures were ineffective. Please note that the Net Pension Liability was correctly calculated.</p> <p>This calculation is a once a year calculation used for annual GAAP financial reporting, thus it has no impact on other information presented throughout the year.</p> <p>We will implement additional controls at June 30, 2019 to address the items above in preparation of the June 30, 2019 basic financial statements.</p> <p>In Fiscal 2018, the District engaged the services of a third party appraisal firm to inventory and revalue its Capital Assets as of June 30, 2018. This was the 1st such endeavor in over 20 plus years. Upon further review of such appraisal, questions arose over some of the estimates used and certain assets identified. District's management will work with the third party appraisal firm further in fiscal 2019 to compare such inventory to its current records and clarify and adjust such Capital Asset Appraisal information where necessary.</p>	June 30, 2019	Kyle Smith, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



BEXLEY CITY SCHOOL DISTRICT

FRANKLIN 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**