

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2018*

JEFF HALL, TREASURER

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Accountant's Compilation Report

To the Brecksville-Broadview Heights City School District Board of Education
Brecksville, Ohio

Management is responsible for the accompanying basic financial statements of the Brecksville-Broadview Heights City School District, which comprise the statements listed in the table of contents as of June 30, 2018 and for the fiscal year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 18 and the required supplementary information on pages 74 through 87 be presented to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential to placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Julian & Grube, Inc.

Westerville, Ohio
November 21, 2018

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

The management's discussion and analysis of Brecksville-Broadview Heights City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The District's net position of governmental activities increased \$34,578,339, which represents an 57.22% increase from 2017's restated net position.
- General revenues for governmental activities, accounted for \$52,476,336 in revenue or 89.38% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$6,236,650 or 10.62% of total governmental activities revenues of \$58,712,986.
- The District had \$24,134,647 in expenses related to governmental activities; only \$6,236,650 of these expenses was offset by program specific charges for services or grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$52,476,336 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$50,011,139 in revenues and \$47,198,980 in expenditures and other financing uses. The general fund's fund balance increased \$2,812,159 from a balance of \$13,024,060 to \$15,836,219.
- The bond retirement fund had \$2,752,867 in revenues and other financing sources and \$2,503,375 in expenditures. The bond retirement fund's fund balance increased \$249,492 from \$4,185,222 to \$4,434,714.

Using the Basic Financial Statements (BFS)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

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CUYAHOGA COUNTY, OHIO**

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Reporting the District as a Whole

Statement of net position and the statement of activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include *all nonfiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

On the statement of net position and in the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 19-20 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

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 all 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 governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* are reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 21 - 25 of this report.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. The agency fund is reported on a separate statement of fiduciary assets and liabilities which can be found on page 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27 - 71.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 74 - 86 of this report.

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**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<u>Net Position - Governmental Activities</u>	
	<u>2018</u>	<u>Restated 2017</u>
<u>Assets</u>		
Current and other assets	\$ 70,008,260	\$ 59,932,281
Capital assets, net	<u>26,039,518</u>	<u>27,565,184</u>
Total assets	<u>96,047,778</u>	<u>87,497,465</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges	362,004	476,858
Pension	18,075,479	134,068
OPEB	<u>626,662</u>	<u>15,831,163</u>
Total deferred outflows	<u>19,064,145</u>	<u>16,442,089</u>
<u>Liabilities</u>		
Current liabilities	5,956,661	5,547,850
Long-term liabilities:		
Due within one year	2,592,059	2,772,715
Due in more than one year:		
Net pension liability	62,844,845	88,098,336
Net OPEB liability	11,628,379	18,373,301
Other amounts	<u>11,650,478</u>	<u>13,915,898</u>
Total liabilities	<u>94,672,422</u>	<u>128,708,100</u>
<u>Deferred inflows of resources</u>		
Property taxes	38,154,003	32,020,288
Pensions	6,155,836	3,646,455
OPEB	<u>1,986,612</u>	<u>-</u>
Total deferred inflows	<u>46,296,451</u>	<u>35,666,743</u>
<u>Net Position</u>		
Net investment in capital assets	17,443,657	16,699,830
Restricted	7,292,029	6,890,069
Unrestricted (deficit)	<u>(50,592,636)</u>	<u>(84,025,188)</u>
Total net position (deficit)	<u>\$ (25,856,950)</u>	<u>\$ (60,435,289)</u>

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The net pension liability (NPL) is the largest single liability 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." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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 District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the 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 *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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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. This implementation also had the effect of restating net position at June 30, 2017, from deficit of \$42,196,056 to a deficit of \$60,435,289.

Analysis of Net Position

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2018, the District's liabilities plus deferred inflows of resources exceeded assets and deferred outflows of resources by \$25,856,950.

Current and other assets increased primarily in the area of cash and investments and property taxes receivable which improved due to the passage of the 5.99 mill operating levy which was approved by voters at the May 2, 2017 election. Property tax collections on this levy began in fiscal year 2018.

Long-term liabilities decreased primarily due to a decrease in the net pension liability which is described above. This factor is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to District employees, not the District.

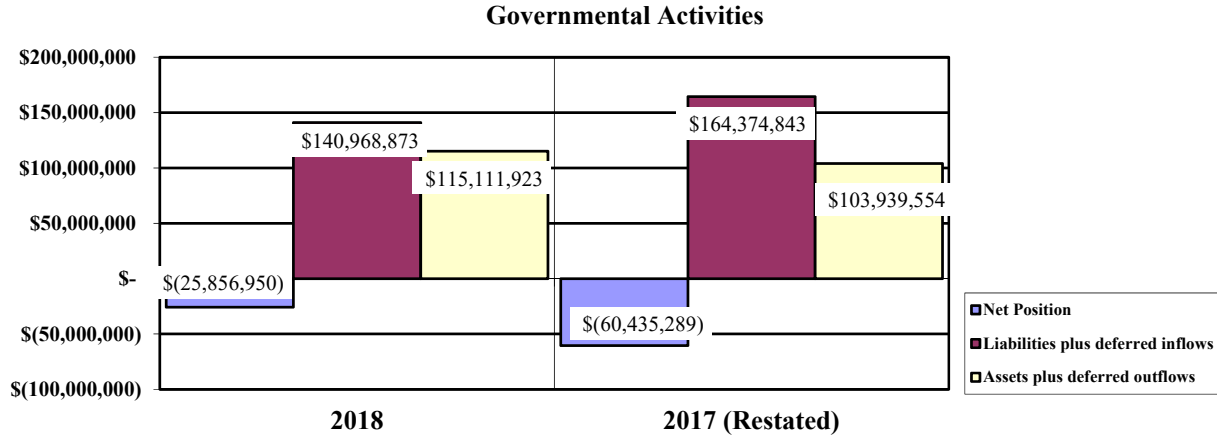
At year-end, capital assets represented 27.11% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and textbooks. The net investment in capital assets at June 30, 2018, was \$17,443,657. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$7,292,029, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$50,592,636, which is primarily caused by the reporting of the net pension liability described on page 7.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2018 and 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



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**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Change in Net Position - Governmental Activities	
	2018	Restated 2017
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,803,794	\$ 4,132,839
Operating grants and contributions	2,412,856	2,881,565
Capital grants and contributions	20,000	20,000
General revenues:		
Property taxes	42,188,829	34,007,121
Payments in lieu of taxes	81,886	91,109
Grants and entitlements	10,019,469	11,187,628
Investment earnings	173,633	111,837
Miscellaneous	12,519	14,070
Total revenues	<u>58,712,986</u>	<u>52,446,169</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	8,436,577	23,619,370
Special	3,475,756	7,836,065
Vocational	33,278	122,227
Other	1,056,602	1,119,365
Support services:		
Pupil	1,233,552	3,315,676
Instructional staff	765,675	1,709,036
Board of education	145,618	92,952
Administration	798,081	3,224,436
Fiscal	845,330	1,168,969
Business	239,252	465,685
Operations and maintenance	2,906,522	4,094,088
Pupil transportation	1,695,447	3,327,592
Central	208,919	254,149
Operation of non-instructional services:		
Food service operations	884,551	1,537,362
Child care operations	87,788	465,693
Other non-instructional services	382,778	711,907
Extracurricular activities	652,880	1,437,302
Interest and fiscal charges	286,041	342,845
Total expenses	<u>24,134,647</u>	<u>54,844,719</u>
Change in net position	34,578,339	(2,398,550)
Net position at beginning of year (restated)	<u>(60,435,289)</u>	<u>N/A</u>
Net position at end of year	<u>\$ (25,856,950)</u>	<u>\$ (60,435,289)</u>

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities

The net position of the District's governmental activities increased \$34,578,339. Total governmental expenses of \$24,134,647 were offset by program revenues of \$6,236,650 and general revenues of \$52,476,336. Program revenues supported 25.84% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 88.92% of total governmental revenue. Real estate property is reappraised every six years. The increase in property tax revenue for fiscal year 2018 was due to the passage of a 5.99 mill operating levy in fiscal year 2017 and due to fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. Property tax collections on the 5.99 mill operating levy began in fiscal year 2018. The tax advance available for the fiscal years ended June 30, 2018, 2017, and 2016 were \$5,158,046, \$6,276,615, and \$10,374,621, respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by Cuyahoga County. The amount of tax advance available at fiscal year-end is reported as revenue in that fiscal year. Charges for services and sales revenue decreased primarily due to a decrease in those related to extracurricular activities. Operating grants and contributions decreased in part due to decreased funding from the state and federal government through Auxiliary Services and Title I. The increase in earnings on investment revenues is due primarily to improved interest rates on investments and the District having more monies to invest. The increase in earning on investments was partially offset by the requirement that the District reporting of investments at fair value rather than cost. The District's cost of investments exceeded their fair value at fiscal year-end. The fluctuations in fair value can cause fluctuations in the amounts reported as interest earnings for a given fiscal year. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value. All other revenue items were comparable to the prior year or were immaterial in variance amount.

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 \$134,068 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. Under GASB 75, the 2018 statements report negative OPEB expense of \$5,079,507. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 24,134,647
Negative OPEB expense under GASB 75	5,079,507
2018 contractually required contributions	<u>171,397</u>
Adjusted 2018 program expenses	29,385,551
Total 2017 program expenses under GASB 45	<u>54,844,719</u>
Decrease in program expenses not related to OPEB	<u>\$ (25,459,168)</u>

Overall, expenses of the governmental activities decreased \$30,710,072 or 55.99%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$20,674,028) in pension expense and (\$5,079,507) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities. To assess fluctuations in program expenses, the increase or decrease in pension expense should be factored into the analysis.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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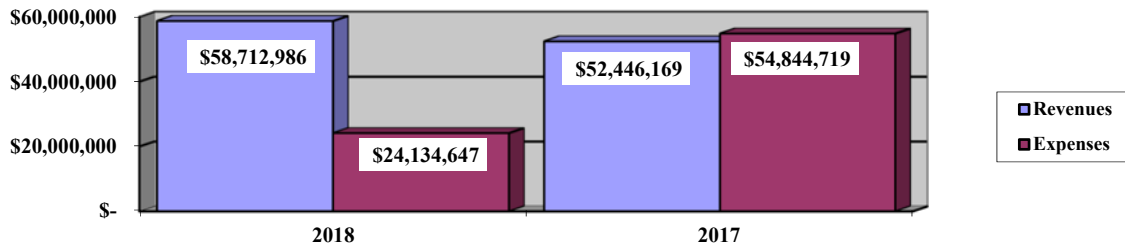
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Pension expense, by function, for 2018 and 2017 follows:

	2018 Pension Expense	2017 Pension Expense	Increase (Decrease)
Program expenses:			
Instruction:			
Regular	\$ (10,099,161)	\$ 2,667,395	\$ (12,766,556)
Special	(3,072,954)	810,627	(3,883,581)
Vocational	(57,805)	15,298	(42,507)
Support services:			
Pupil	(1,457,012)	397,959	(1,854,971)
Instructional staff	(626,655)	171,407	(798,062)
Board of education	(9,762)	2,769	(12,531)
Administration	(1,525,183)	402,861	(1,928,044)
Fiscal	(243,084)	62,856	(305,940)
Business	(125,292)	40,477	(165,769)
Operations and maintenance	(1,184,943)	306,901	(1,491,844)
Pupil transportation	(1,144,056)	300,204	(1,444,260)
Central	(4,627)	10,809	(15,436)
Operation of non-instructional services:			
Food service operations	(382,490)	110,484	(492,974)
Child care operations	(162,204)	53,865	(216,069)
Other non-instructional services	(93,837)	24,409	(118,246)
Extracurricular activities	(484,963)	132,487	(617,450)
Total	\$ (20,674,028)	\$ 5,510,808	\$ (26,154,240)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2018 and 2017.

Governmental Activities - Revenues and Expenses



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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 and 2017. It identifies the cost of services supported by tax revenue and unrestricted State grants and entitlements. As stated earlier, fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years.

Governmental Activities				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>
Instruction:				
Regular	\$ 8,436,577	\$ 7,326,668	\$ 23,619,370	\$ 22,435,315
Special	3,475,756	2,613,524	7,836,065	6,930,179
Vocational	33,278	28,685	122,227	119,281
Other	1,056,602	834,283	1,119,365	853,040
Support services:				
Pupil	1,233,552	769,101	3,315,676	2,907,084
Instructional staff	765,675	637,383	1,709,036	1,600,043
Board of Education	145,618	145,618	92,952	92,952
Administration	798,081	798,056	3,224,436	3,223,596
Fiscal	845,330	845,330	1,168,969	1,168,969
Business	239,252	239,252	465,685	429,810
Operations and maintenance	2,906,522	2,852,420	4,094,088	4,058,991
Pupil transportation	1,695,447	1,408,631	3,327,592	2,989,510
Central	208,919	196,156	254,149	242,497
Operation of non-instructional services:				
Food service operations	884,551	(509,419)	1,537,362	62,420
Child care operations	87,788	(455,385)	465,693	(64,497)
Other non-instructional services	382,778	(7,955)	711,907	13,620
Extracurricular activities	652,880	(110,392)	1,437,302	404,660
Interest and fiscal charges	286,041	286,041	342,845	342,845
Total expenses	<u>\$ 24,134,647</u>	<u>\$ 17,897,997</u>	<u>\$ 54,844,719</u>	<u>\$ 47,810,315</u>

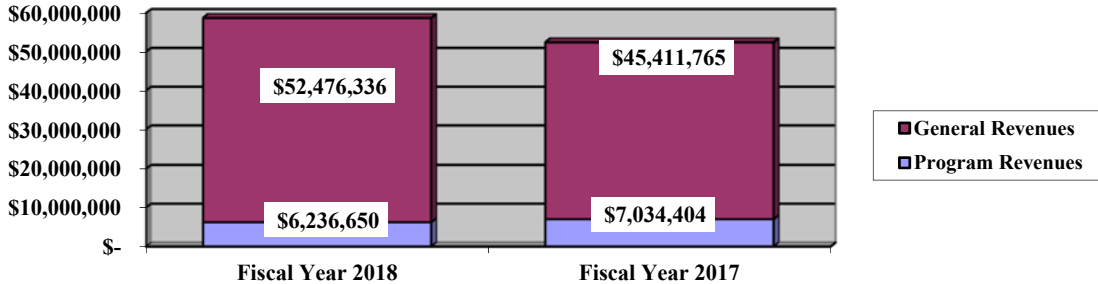
The dependence upon general revenues during fiscal year 2018 for governmental activities is apparent, as 83.09% of 2018 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.16% in 2018. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities revenue for fiscal years 2018 and 2017.

Governmental Activities - General and Program Revenues



The District's Funds

During 2018 the District's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$23,348,977, which is greater than last year's total of \$20,220,029. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase (Decrease)	Percentage Change
General	\$ 15,836,219	\$ 13,024,060	\$ 2,812,159	21.59 %
Bond Retirement	4,434,714	4,185,222	249,492	5.96 %
Other Governmental	3,272,646	3,010,747	261,899	8.70 %
Total	<u>\$ 23,543,579</u>	<u>\$ 20,220,029</u>	<u>\$ 3,323,550</u>	16.44 %

General Fund

The District's general fund balance increased \$2,617,557. The tables below assist in illustrating the financial activities of the general fund.

	2018 Amount	2017 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Property taxes	\$ 38,006,512	\$ 29,987,615	\$ 8,018,897	26.74 %
Payment in lieu of taxes	81,693	90,912	(9,219)	(10.14) %
Tuition	666,903	694,779	(27,876)	(4.01) %
Earnings on investments	172,036	114,092	57,944	50.79 %
Intergovernmental	10,014,749	11,214,953	(1,200,204)	(10.70) %
Other revenues	1,069,246	1,316,041	(246,795)	(18.75) %
Total	<u>\$ 50,011,139</u>	<u>\$ 43,418,392</u>	<u>\$ 6,592,747</u>	15.18 %

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

Expenditures

Instruction	\$ 29,452,483	\$ 28,776,699	\$ 675,784	2.35 %
Support services	16,540,384	15,838,086	702,298	4.43 %
Extracurricular activities	842,446	851,843	(9,397)	(1.10) %
Other expenditures	-	374,284	(374,284)	100.00 %
Debt Service	<u>81,942</u>	<u>41,062</u>	<u>40,880</u>	99.56 %
Total	<u>\$ 46,917,255</u>	<u>\$ 45,881,974</u>	<u>\$ 1,035,281</u>	2.26 %

Property tax revenue increased due to the passage of the 5.99 mill operating levy which was approved by voters at the May 2, 2017 election. Property tax collections on this levy began in fiscal year 2018. In addition, property taxes increased due to fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. For the general fund, the tax advance available for the fiscal years ended June 30, 2018, 2017, and 2016 were \$4,676,030, \$5,585,009, and \$9,231,989, respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by Cuyahoga County. The amount of tax advance available at fiscal year-end is reported as revenue in the fiscal year in the general fund on the modified accrual basis of accounting. The decrease in revenue in lieu of taxes is due to reduced revenues associated with the revenue sharing agreement with the City of Broadview Heights. The decrease in tuition revenue is due to increased open enrollment from the prior year. The increase in earnings on investment revenues is due to higher interest rates on applicable investments and the District having more money to invest in fiscal year 2018. The increase in earning on investments was partially offset by a decrease in the fair value of District investments which is reported as a component of investment earnings. The fluctuations in fair value can cause fluctuations in the amounts reported as interest earnings for a given fiscal year. The District intends to hold all investments to maturity thus eliminating the risk of fluctuations in fair value. The decrease in intergovernmental revenue is due to a decreased in unrestricted revenues from the State of Ohio in the form of Foundation payments. Other revenue decreased primarily due to a decrease in extracurricular revenues.

Instruction expenditures increased from the prior year primarily due to a normal and customary wage and benefit increases. Instruction is the District's largest expenditure line item. Support services expenditures increased primarily in the area of operations and maintenance. Other expenditures decreased due to the District entering into a capital lease for the acquisition of copiers in fiscal year 2017. Overall, expenditures in the general fund increased 2.26% from the previous year.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

Bond Retirement Fund

The District's bond retirement fund balance increased \$249,492. The tables below assist in illustrating the financial activities of the bond retirement fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 2,230,819	\$ 2,042,502	\$ 188,317	9.22 %
Payment in lieu of taxes	115	118	(3)	(2.54) %
Intergovernmental	<u>290,208</u>	<u>295,286</u>	<u>(5,078)</u>	<u>(1.72) %</u>
Total	<u>\$ 2,521,142</u>	<u>\$ 2,337,906</u>	<u>\$ 183,236</u>	<u>7.84 %</u>
<u>Expenditures</u>				
Debt Service:				
Principal retirement	\$ 2,320,000	\$ 2,275,000	\$ 45,000	1.98 %
Interest and fiscal charges	<u>183,375</u>	<u>268,590</u>	<u>(85,215)</u>	<u>(31.73) %</u>
Total	<u>\$ 2,503,375</u>	<u>\$ 2,543,590</u>	<u>\$ (40,215)</u>	<u>(1.58) %</u>

The increase in property tax revenue for fiscal year 2018 primarily resulted from fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. For the bond retirement fund, the tax advance available for the fiscal years ended June 30, 2018, 2017, and 2016 were \$282,991, \$412,840, and \$681,764, respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by Cuyahoga County. The amount of tax advance available at fiscal year-end is reported as revenue in the fiscal year in the bond retirement fund on the modified accrual basis of accounting.

During 2018, the bond retirement fund made principal payments on bonds of \$2,320,000. The decrease in expenditures in the bond retirement fund is due to less interest paid on outstanding debt. Taxes and intergovernmental revenues were sufficient to cover debt service and fiscal charges incurred in the fund. In addition, the bond retirement fund received a \$231,725 transfer in from the general fund in fiscal year 2018.

General Fund Budgeting Highlights

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

During fiscal year 2018, the District made amendments its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, original and final budgeted revenues and other financing sources were \$44,150,444 and \$45,720,411, respectively. The actual revenues and other financing sources were \$50,481,330, which was \$4,760,919 higher than the final budget revenues. The primary variance between the final budgeted revenues and actual revenues was in the area of property taxes due to the budgeting of the 5.99 mill operating levy which was approved by voters at the May 2, 2017 election and collections began in fiscal year 2018. On the non-GAAP budgetary basis, property tax revenues represent 76.46% of the total general fund revenues and other financial sources.

General fund original and final appropriations and other financing uses were \$47,923,517 and \$47,923,518, respectively. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$47,110,277, which were \$813,241 less than final budgeted appropriations.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

Capital Assets and Debt Administration

Capital Assets

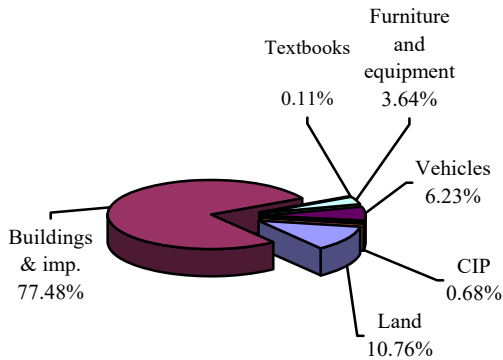
During fiscal year 2018, the District had \$26,039,518 invested in land, construction in progress, buildings and improvements, furniture and equipment, vehicles and textbooks. This entire amount was reported in governmental activities. The following table shows fiscal year 2018 balances compared to 2017:

Capital Assets at June 30 (Net of Depreciation)

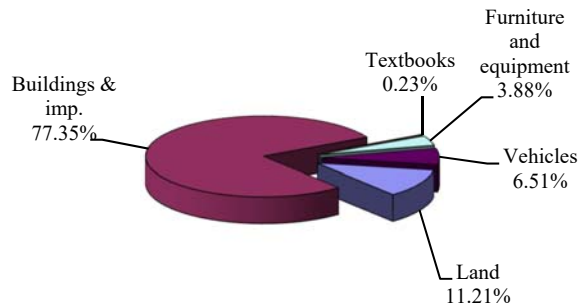
	Governmental Activities	
	2018	2017
Land	\$ 3,088,833	\$ 3,088,833
Construction in progress	176,199	-
Buildings and improvements	20,176,445	21,548,172
Furniture and equipment	947,963	1,068,486
Vehicles	1,622,319	1,795,085
Textbooks	27,759	64,608
Total	\$ 26,039,518	\$ 27,565,184

Total additions to governmental activities capital assets for 2018 were \$624,036. Governmental activities depreciation expense for fiscal year 2018 was \$2,149,702. There were no disposals of capital assets in fiscal year 2018. Overall, governmental activities capital assets of the District decreased \$1,525,666. The graphs below show the breakdown of the governmental activities capital assets by category for 2018 and 2017.

Capital Assets - 2018



Capital Assets - 2017



See Note 10 to the basic financial statements for additional information on the District's capital assets.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

Debt Administration

The following table summarizes the governmental activities bonds outstanding:

Outstanding Debt, at Year End

	Balance <u>June 30, 2018</u>	Balance <u>June 30, 2017</u>
General obligation bonds:		
2013 School Improvement Refunding	\$ 8,175,000	\$ 10,280,000
2013 Energy Conservation	<u>450,000</u>	<u>665,000</u>
Total	<u>\$ 8,625,000</u>	<u>\$ 10,945,000</u>

On May 7, 2013, the District issued \$10,480,000 in Series A school improvement refunding bonds and \$1,280,000 in Series B energy conservation improvement bonds for the purpose of taking advantage of lower interest rates and making energy-saving modifications to buildings, respectively. Both bonds are paid from the bond retirement fund and will mature in December 2021 and 2019, respectively.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Brecksville-Broadview Heights City School District has continued to maintain the highest standards of services to our students, parents and community at one of the lowest costs in Cuyahoga County. As with all school districts in the State of Ohio, State funding issues are constantly monitored to determine the impact on the District. As the preceding information shows, the District is heavily reliant on local property taxpayers.

Management must continue to diligently plan expenses, staying carefully within the District's financial forecast. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the life of the levies. All of the District's financial abilities will be needed to meet the challenges of the future. In conclusion, the District has committed itself to financial excellence for many years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Jeff Hall, Treasurer/CFO at Brecksville-Broadview Heights City School District, 6638 Mill Road, Brecksville, Ohio 44141 or e-mail at rberdine@bbhcsd.org.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 23,850,896
Receivables:	
Property taxes	45,504,160
Accounts	235,869
Accrued interest	34,542
Intergovernmental	269,228
Prepayments	99,722
Materials and supplies inventory	5,105
Inventory held for resale	8,738
Capital assets:	
Nondepreciable capital assets	3,265,032
Depreciable capital assets, net	22,774,486
Capital assets, net	26,039,518
Total assets	96,047,778
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	362,004
Pension (Note 15)	18,075,479
OPEB (Note 16)	626,662
Total deferred outflows of resources	19,064,145
Liabilities:	
Accounts payable	217,123
Contracts payable	27,103
Accrued wages and benefits payable	4,833,808
Intergovernmental payable	864,685
Accrued interest payable	13,942
Long-term liabilities:	
Due within one year	2,592,059
Due in more than one year:	
Net pension liability (Note 15)	62,844,845
Net OPEB liability (Note 16)	11,628,379
Other amounts due in more than one year	11,650,478
Total liabilities	94,672,422
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	38,154,003
Pension (Note 15)	6,155,836
OPEB (Note 16)	1,986,612
Total deferred inflows of resources	46,296,451
Net position:	
Net investment in capital assets	17,443,657
Restricted for:	
Capital projects	2,168,472
Debt service	4,532,729
Locally funded programs	174,971
State funded programs	9,706
Federally funded programs	45,381
Food service operations	143,747
Student activities	217,023
Unrestricted (deficit)	(50,592,636)
Total net position (deficit)	\$ (25,856,950)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

		Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
Governmental activities:						
Instruction:						
Regular	\$ 8,436,577	\$ 723,099	\$ 386,810	\$ -	\$	(7,326,668)
Special	3,475,756	333,297	528,935	-	-	(2,613,524)
Vocational	33,278	-	4,593	-	-	(28,685)
Other	1,056,602	207,687	14,632	-	-	(834,283)
Support services:						
Pupil	1,233,552	-	464,451	-	-	(769,101)
Instructional staff	765,675	90,754	37,538	-	-	(637,383)
Board of education	145,618	-	-	-	-	(145,618)
Administration	798,081	-	25	-	-	(798,056)
Fiscal	845,330	-	-	-	-	(845,330)
Business	239,252	-	-	-	-	(239,252)
Operations and maintenance	2,906,522	54,102	-	-	-	(2,852,420)
Pupil transportation	1,695,447	31,647	255,169	-	-	(1,408,631)
Central	208,919	-	12,763	-	-	(196,156)
Operation of non-instructional services:						
Food service operations	884,551	1,081,361	312,609	-	-	509,419
Child care operations	87,788	543,173	-	-	-	455,385
Other non-instructional services	382,778	502	390,231	-	-	7,955
Extracurricular activities	652,880	738,172	5,100	20,000	-	110,392
Interest and fiscal charges	286,041	-	-	-	-	(286,041)
Total governmental activities	\$ 24,134,647	\$ 3,803,794	\$ 2,412,856	\$ 20,000		(17,897,997)
General revenues:						
Property taxes levied for:						
General purposes						38,382,912
Debt service						2,234,116
Capital outlay						1,571,801
Payments in lieu of taxes						81,886
Grants and entitlements not restricted to specific programs						10,019,469
Investment earnings						173,633
Miscellaneous						12,519
Total general revenues						52,476,336
Change in net position						34,578,339
Net position (deficit) at						
beginning of year (restated)						(60,435,289)
Net position (deficit) at end of year						\$ (25,856,950)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 16,419,999	\$ 4,151,723	\$ 3,279,174	\$ 23,850,896
Receivables:				
Property taxes	41,586,301	2,265,917	1,651,942	45,504,160
Accounts	108,776	-	127,093	235,869
Accrued interest	34,542	-	-	34,542
Interfund loans	52,745	-	-	52,745
Intergovernmental	245,919	-	23,309	269,228
Prepayments	96,122	-	3,600	99,722
Materials and supplies inventory	-	-	5,105	5,105
Inventory held for resale	-	-	8,738	8,738
Total assets	<u>\$ 58,544,404</u>	<u>\$ 6,417,640</u>	<u>\$ 5,098,961</u>	<u>\$ 70,061,005</u>
Liabilities:				
Accounts payable	\$ 130,238	\$ -	\$ 86,885	\$ 217,123
Contracts payable	-	-	27,103	27,103
Accrued wages and benefits payable	4,746,569	-	87,239	4,833,808
Compensated absences payable	97,638	-	14,353	111,991
Intergovernmental payable	779,738	-	84,947	864,685
Interfund loans payable	-	-	52,745	52,745
Total liabilities	<u>5,754,183</u>	<u>-</u>	<u>353,272</u>	<u>6,107,455</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	34,911,229	1,870,969	1,371,805	38,154,003
Delinquent property tax revenue not available	1,999,042	111,957	81,112	2,192,111
Intergovernmental revenue not available	-	-	20,126	20,126
Accrued interest not available	17,808	-	-	17,808
Miscellaneous revenue not available	25,923	-	-	25,923
Total deferred inflows of resources	<u>36,954,002</u>	<u>1,982,926</u>	<u>1,473,043</u>	<u>40,409,971</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	5,105	5,105
Prepays	96,122	-	3,600	99,722
Restricted:				
Debt service	-	4,434,714	-	4,434,714
Capital improvements	-	-	2,060,257	2,060,257
Food service operations	-	-	204,167	204,167
Non-public schools	-	-	9,706	9,706
Special education	-	-	42,574	42,574
Targeted academic assistance	-	-	40,230	40,230
Extracurricular activities	-	-	216,825	216,825
Local grants	-	-	191,942	191,942
Committed:				
After school program	-	-	415,027	415,027
College scholarships	-	-	121,642	121,642
Assigned:				
Student instruction	355,713	-	-	355,713
Student and staff support	177,354	-	-	177,354
Extracurricular activities	269	-	-	269
School supplies	271,953	-	-	271,953
Unassigned (deficit)	14,934,808	-	(38,429)	14,896,379
Total fund balances	<u>15,836,219</u>	<u>4,434,714</u>	<u>3,272,646</u>	<u>23,543,579</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 58,544,404</u>	<u>\$ 6,417,640</u>	<u>\$ 5,098,961</u>	<u>\$ 70,061,005</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances		\$	23,543,579
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			26,039,518
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	2,192,111	
Accounts receivable		25,923	
Accrued interest receivable		17,808	
Intergovernmental receivable		20,126	
Total		20,126	2,255,968
Unamortized premiums on bonds issued are not recognized in the funds.			(15,199)
Unamortized amounts on refundings are not recognized in the funds.			362,004
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(13,942)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows/outflows of resources are not reported in governmental funds.			
Deferred outflows - Pension		18,075,479	
Deferred inflows - Pension		(6,155,836)	
Net pension liability		(62,844,845)	
Total		(62,844,845)	(50,925,202)
The net OPEB liability is not due and payable in the current period; therefore, liability and related deferred inflows/outflows of resources are not reported in governmental funds.			
Deferred outflows - OPEB		626,662	
Deferred inflows - OPEB		(1,986,612)	
Net OPEB liability		(11,628,379)	
Total		(11,628,379)	(12,988,329)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(8,625,000)	
Capital lease obligation		(290,563)	
Compensated absences payable		(5,199,784)	
Total		(5,199,784)	(14,115,347)
Net position (deficit) of governmental activities			\$ (25,856,950)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 38,006,512	\$ 2,230,819	\$ 1,566,169	\$ 41,803,500
Payment in lieu of taxes	81,693	115	78	81,886
Tuition	666,903	-	543,173	1,210,076
Transportation fees	28,858	-	-	28,858
Earnings on investments	172,036	-	5,129	177,165
Charges for services	-	-	1,081,361	1,081,361
Extracurricular	697,572	-	453,378	1,150,950
Classroom materials and fees	251,925	-	-	251,925
Rental income	48,098	-	-	48,098
Contributions and donations	23,671	-	106,153	129,824
Contract services	6,603	-	-	6,603
Other local revenues	12,519	-	66,701	79,220
Intergovernmental - state	9,917,517	290,208	417,476	10,625,201
Intergovernmental - federal	97,232	-	1,587,464	1,684,696
Total revenues	<u>50,011,139</u>	<u>2,521,142</u>	<u>5,827,082</u>	<u>58,359,363</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,632,469	-	1,046,180	21,678,649
Special	7,721,917	-	218,547	7,940,464
Vocational	115,752	-	-	115,752
Other	982,345	-	-	982,345
Support services:				
Pupil	2,841,121	-	463,926	3,305,047
Instructional staff	1,640,340	-	31,229	1,671,569
Board of education	159,897	-	-	159,897
Administration	3,049,996	-	29	3,050,025
Fiscal	1,209,530	-	-	1,209,530
Business	374,918	-	-	374,918
Operations and maintenance	4,086,035	-	-	4,086,035
Pupil transportation	2,971,459	-	278,869	3,250,328
Central	207,088	-	12,600	219,688
Operation of non-instructional services:				
Food service operations	-	-	1,380,993	1,380,993
Child care operations	-	-	398,417	398,417
Other non-instructional services	-	-	516,663	516,663
Extracurricular activities	842,446	-	477,594	1,320,040
Facilities acquisition and construction	-	-	790,136	790,136
Debt service:				
Principal retirement	80,721	2,320,000	-	2,400,721
Interest and fiscal charges	1,221	183,375	-	184,596
Total expenditures	<u>46,917,255</u>	<u>2,503,375</u>	<u>5,615,183</u>	<u>55,035,813</u>
Excess of revenues over expenditures	<u>3,093,884</u>	<u>17,767</u>	<u>211,899</u>	<u>3,323,550</u>
Other financing sources (uses):				
Transfers in	-	231,725	50,000	281,725
Transfers (out)	(281,725)	-	-	(281,725)
Total other financing sources (uses)	<u>(281,725)</u>	<u>231,725</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	2,812,159	249,492	261,899	3,323,550
Fund balances at beginning of year	<u>13,024,060</u>	<u>4,185,222</u>	<u>3,010,747</u>	<u>20,220,029</u>
Fund balances at end of year	<u>\$ 15,836,219</u>	<u>\$ 4,434,714</u>	<u>\$ 3,272,646</u>	<u>\$ 23,543,579</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

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
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds	\$	3,323,550
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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.		
Capital asset additions	\$ 624,036	
Current year depreciation	<u>(2,149,702)</u>	
Total		(1,525,666)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property tax revenue	385,329	
Earnings on investments	1,597	
Miscellaneous	25,923	
Intergovernmental revenue	<u>(90,180)</u>	
Total		322,669
 Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	2,320,000	
Capital leases	<u>80,721</u>	
Total		2,400,721
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	2,680	
Amortization of bond premiums	10,729	
Amortization of deferred charge on refunding	<u>(114,854)</u>	
Total		(101,445)
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		4,314,398
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		20,674,028
 Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		171,397
 Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		5,079,507
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(80,820)</u>
Change in net position of governmental activities	\$	<u>34,578,339</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 32,341,892	34,104,913	38,596,491	\$ 4,491,578
Payment in lieu of taxes.	90,912	90,912	81,693	(9,219)
Tuition.	710,443	710,443	804,074	93,631
Transportation fees.	26,107	26,107	29,444	3,337
Earnings on investments	192,159	192,159	294,800	102,641
Extracurricular.	504,629	504,629	285,672	(218,957)
Classroom materials and fees	23,233	23,333	27,424	4,091
Rental income	33,114	33,114	37,586	4,472
Contract services.	12,964	12,964	6,603	(6,361)
Other local revenues	11,518	11,518	12,351	833
Intergovernmental - state	9,833,035	9,833,035	9,920,749	87,714
Intergovernmental - federal	298,189	105,035	97,231	(7,804)
Total revenues	<u>44,078,195</u>	<u>45,648,162</u>	<u>50,194,118</u>	<u>4,545,956</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,823,842	20,789,857	20,787,299	2,558
Special.	8,074,706	8,067,773	7,697,435	370,338
Vocational.	122,247	122,040	115,406	6,634
Other.	869,456	869,904	839,898	30,006
Support services:				
Pupil.	2,849,802	2,845,592	2,806,698	38,894
Instructional staff	1,528,322	1,538,181	1,537,966	215
Board of education	184,582	185,082	159,919	25,163
Administration.	3,078,990	3,105,391	3,089,353	16,038
Fiscal	1,302,652	1,323,824	1,214,768	109,056
Business	470,904	470,440	386,499	83,941
Operations and maintenance.	4,049,084	4,043,051	4,042,084	967
Pupil transportation	3,129,242	3,126,136	2,965,176	160,960
Central.	253,308	250,699	217,718	32,981
Extracurricular activities.	840,655	839,823	854,228	(14,405)
Total expenditures	<u>47,577,792</u>	<u>47,577,793</u>	<u>46,714,447</u>	<u>863,346</u>
Excess of revenues over (under) expenditures .	<u>(3,499,597)</u>	<u>(1,929,631)</u>	<u>3,479,671</u>	<u>5,409,302</u>
Other financing sources (uses):				
Refund of prior year's expenditures	32,249	32,249	247,212	214,963
Transfers (out).	(305,725)	(305,725)	(303,085)	2,640
Advances in.	40,000	40,000	40,000	-
Advances (out)	(40,000)	(40,000)	(92,745)	(52,745)
Total other financing sources (uses)	<u>(273,476)</u>	<u>(273,476)</u>	<u>(108,618)</u>	<u>164,858</u>
Net change in fund balance	(3,773,073)	(2,203,107)	3,371,053	5,574,160
Fund balance at beginning of year	11,570,748	11,570,748	11,570,748	-
Prior year encumbrances appropriated . .	285,159	285,159	285,159	-
Fund balance at end of year	\$ 8,082,834	\$ 9,652,800	\$ 15,226,960	\$ 5,574,160

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Agency
Assets:	
Equity in pooled cash and investments	\$ 151,917
Receivables:	
Accounts	1,810
Total assets.	\$ 153,727
Liabilities:	
Accounts payable.	\$ 4,724
Due to students.	149,003
Total liabilities	\$ 153,727

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Brecksville-Broadview Heights City School District (the "District") operates under a locally-elected Board form of government and provides educational services as authorized by State and Federal agencies. This Board controls the District's 6 instructional and 2 support facilities staffed by 223 non-certified employees and 287 certified employees to provide services to 3,743 students and other community members.

The District was established in 1883 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The District serves an area of approximately 27 square miles. It is located in Cuyahoga County, including all of the territory of the City of Brecksville, most of the City of Broadview Heights and a small portion of the City of North Royalton.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following are the more significant of the District's accounting policies.

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Cities of Brecksville and Broadview Heights - The city governments of Brecksville and Broadview Heights are each a separate body politic and corporate. Each city elects a mayor and council independent of any District relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority.

Cuyahoga County Public Library - The Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies.

Parent School Organization - The District is not involved in budgeting or managing the association, is not responsible for any debt of the association and has no influence over the association.

The District participates in a shared risk pool and three jointly governed organizations. These organizations are presented in Notes 18 and 19 to the basic financial statements.

B. Basis of Presentation

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

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental and those that are considered business-type. However, the School District has only governmental activities; therefore, no business-type activities are presented.

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

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

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

GOVERNMENTAL FUNDS

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

General fund - The general fund is the operating fund of the District and accounts and reports for all financial resources except those required to be accounted for and reported in another fund. The general fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

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

D. Measurement Focus

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

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

E. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants and entitlements. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 15 and 16 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. 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.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 15 and 16 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

F. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education (the "Board") may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer/CFO has been given authority to allocate board appropriations to the function and object levels within each fund.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer/CFO. The amounts reported as the original and final budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original and final appropriations were passed by the Board.

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

G. Cash and Investments

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During fiscal year 2018, investments were limited to Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, commercial paper, negotiable certificates of deposit (negotiable CDs), U.S. government money market mutual funds, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, the District measures investments at fair value which is based on quoted market prices.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$172,036, which includes \$97,892 assigned from other District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the cash management pool are reported as investments.

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

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide statements and the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

I. Capital Assets

The District's only capital assets are general capital assets. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported 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 acquisition values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except 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:

Description	Governmental Activities <u>Estimated Lives</u>
Buildings and Improvements	15 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 10 Years
Textbooks	8 Years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services provided and used are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net position. Interfund loans receivable/payable are summarized in Note 20.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and special termination benefits are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes and capital leases are recognized as a liability on the fund financial statements when due.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Non-Public Schools

Within the District boundaries, there is located the Assumption School, Lawrence School and South Suburban Montessori School. Current State legislation provides for funding to these nonpublic schools. These monies are received and disbursed by the District on behalf of the nonpublic schools by the Treasurer/CFO of the District, as directed by the nonpublic schools. These transactions are reported in a nonmajor governmental fund and as a governmental activity of the District.

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the District Board of Education. In the general fund, assigned amounts represent intended uses established by the District Board of Education or a District official delegated that authority by State statute. State statute authorizes the Treasurer/CFO to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

P. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. 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. During fiscal year 2018, the District had no extraordinary or special items.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Estimates

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

U. Fair Value Measurements

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 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", 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 pensions (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 16 to the basic financial statements and added required supplementary information which appears after these footnotes.

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.

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CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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:

	Governmental Activities
Net position as previously reported	\$ (42,196,056)
Deferred outflows - payments subsequent to measurement date	134,068
Net OPEB liability	(18,373,301)
Restated net position at July 1, 2017	\$ (60,435,289)

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. The restatement had no effect on fund balances.

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Miscellaneous state grants	\$ 20,521
Miscellaneous federal grants	17,908

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted the requirement by GAAP that advances-in from the general fund, to cover negative balances due to the timing of anticipated revenues, be reported as a fund liability rather than as an "other financing source".

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies may be deposited or invested in the following securities:

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year end, the District had \$1,450 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$10,854,364. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, \$10,779,075 of the District's bank balance of \$11,279,075 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the District's financial institutions either participated in the OPCS with a collateral rate of 102 percent or provided collateral for 102 percent all deposits in excess of FDIC coverage with securities deposited with a qualified trustee. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

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

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	24 to 52 months
Fair Value:						
FHLB	\$ 2,080,664	\$ -	\$ -	\$ -	\$ 293,442	\$ 1,787,222
FHLMC	2,461,883	-	494,765	-	475,159	1,491,959
FNMA	2,042,731	-	988,830	563,416	-	490,485
FFCB	122,572	-	-	-	-	122,572
Commercial Paper	1,726,434	1,726,434	-	-	-	-
Negotiable CD's	2,670,060	-	245,585	359,436	-	2,065,039
U.S. Government Money						
Market Mutual Fund	16,232	16,232	-	-	-	-
Amortized Cost:						
STAR Ohio	2,026,423	2,026,423	-	-	-	-
Total	\$ 13,146,999	\$ 3,769,089	\$ 1,729,180	\$ 922,852	\$ 768,601	\$ 5,957,277

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is 1.67 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLB, FHLMC, FNMA, and FFCB), commercial paper and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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 five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The U.S. government money market mutual fund was rated AAAM by Standard & Poor's. The negotiable CDs are not rated but are fully insured by the FDIC. The investments in commercial paper were rated A1 and A1+ by Standard & Poor's and P1 by Moody's. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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 of each investment type at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair Value:		
FHLB	\$ 2,080,664	15.83
FHLMC	2,461,883	18.73
FNMA	2,042,731	15.54
FFCB	122,572	0.93
Commercial Paper	1,726,434	13.13
Negotiable CD's	2,670,060	20.31
U.S. Government Money		
Market Mutual Fund	16,232	0.12
Amortized Cost:		
STAR Ohio	<u>2,026,423</u>	<u>15.41</u>
Total	<u>\$ 13,146,999</u>	<u>100.00</u>

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,854,364
Investments	13,146,999
Cash on hand	<u>1,450</u>
Total	<u>\$ 24,002,813</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 23,850,896
Agency funds	<u>151,917</u>
Total	<u>\$ 24,002,813</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, accounts (billings for user charged services and student fees) accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 45,504,160
Intergovernmental	269,228
Accrued interest	34,542
Accounts	<u>235,869</u>
Total	<u>\$ 46,043,799</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 6 - PROPERTY TAXES

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. 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, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Cuyahoga County. The County Fiscal Officer 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 as an advance at June 30, 2018 was \$4,676,030 in the general fund, \$282,991 in the bond retirement fund, and \$199,025 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$5,585,009 in the general fund, \$412,840 in the bond retirement fund, and \$278,766 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes 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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 995,433,070	97.23	\$ 1,004,020,450	97.18
Public utility personal	<u>28,321,160</u>	<u>2.77</u>	<u>29,129,770</u>	<u>2.82</u>
Total	<u>\$ 1,023,754,230</u>	<u>100.00</u>	<u>\$ 1,033,150,220</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 77.00		\$ 82.89	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 3,371,053
Net adjustment for revenue accruals	(843,475)
Net adjustment for expenditure accruals	(162,887)
Net adjustment for other sources/uses	(194,467)
Funds budgeted elsewhere **	27,846
Adjustment for encumbrances	419,487
GAAP basis	\$ 2,617,557

** The uniform school supplies fund, the rotary fund and the public school support fund are legally budgeted as separate special revenue funds; however, they are considered part of the general fund on a GAAP basis.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds, excluding amounts already reported in payables, were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 375,904
Nonmajor governmental funds	<u>563,283</u>
Total	<u>\$ 939,187</u>

NOTE 9 - CAPITAL LEASE

During fiscal year 2018 and in a prior fiscal year, the District entered into capital lease agreements for copiers. These leases meet the criteria of a capital lease as defined by GASB, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized in the amount of \$547,666, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2018 was \$206,554 leaving a current book value of \$341,112.

A corresponding liability was recorded in the statement of net position. Principal payments in the 2018 fiscal year totaled \$80,721. This amount is reflected as debt service principal retirement in the general fund and as a reduction to the long-term liabilities reported on the statement of net position. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 81,942
2020	81,942
2021	81,942
2022	<u>81,942</u>
Total minimum lease payments	327,768
Less: amount representing interest	<u>(37,205)</u>
Total	<u>\$ 290,563</u>

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NOTE 10 - CAPITAL ASSETS

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

	<u>Balance</u> <u>07/01/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/18</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,088,833	\$ -	\$ -	\$ 3,088,833
Construction in progress	-	176,199	-	176,199
Total capital assets, not being depreciated	<u>3,088,833</u>	<u>176,199</u>	<u>-</u>	<u>3,265,032</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	52,039,958	87,854	-	52,127,812
Furniture and equipment	10,502,757	147,544	-	10,650,301
Vehicles	4,343,261	191,951	-	4,535,212
Textbooks	2,879,876	20,488	-	2,900,364
Total capital assets, being depreciated	<u>69,765,852</u>	<u>447,837</u>	<u>-</u>	<u>70,213,689</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(30,491,786)	(1,459,581)	-	(31,951,367)
Furniture and equipment	(9,434,271)	(268,067)	-	(9,702,338)
Vehicles	(2,548,176)	(364,717)	-	(2,912,893)
Textbooks	(2,815,268)	(57,337)	-	(2,872,605)
Total accumulated depreciation	<u>(45,289,501)</u>	<u>(2,149,702)</u>	<u>-</u>	<u>(47,439,203)</u>
Governmental activities capital assets, net	<u>\$ 27,565,184</u>	<u>\$ (1,525,666)</u>	<u>\$ -</u>	<u>\$ 26,039,518</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,502,048
Special	4,297
Vocational	150
Other	74,257
<u>Support services:</u>	
Pupil	33,450
Instructional staff	611
Administration	5,527
Fiscal	1,552
Business	44,752
Operations and maintenance	92,504
Pupil transportation	330,320
Operation of non-instructional services:	
Food service operations	8,847
Other non-instructional services	2,417
Extracurricular activities	<u>48,970</u>
Total depreciation expense	<u>\$ 2,149,702</u>

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NOTE 11 - LONG-TERM OBLIGATIONS

During the fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance <u>07/01/17</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/18</u>	Amount Due in <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds					
2013 School Improvement Refunding Bonds					
Serial Bonds	\$ 10,280,000	\$ -	\$ (2,105,000)	\$ 8,175,000	\$ 2,125,000
2013 Energy Conservation Bonds					
Serial Bonds	665,000	-	(215,000)	450,000	220,000
Premium on Bonds	<u>25,928</u>	<u>-</u>	<u>(10,729)</u>	<u>15,199</u>	<u>-</u>
Total General Obligation Bonds	<u>10,970,928</u>	<u>-</u>	<u>(2,330,729)</u>	<u>8,640,199</u>	<u>2,345,000</u>
Net Pension Liability	88,098,336	-	(25,253,491)	62,844,845	-
Net OPEB Liability	<u>18,373,301</u>	<u>-</u>	<u>(6,744,922)</u>	<u>11,628,379</u>	<u>-</u>
Total Liability	<u>106,471,637</u>	<u>-</u>	<u>(31,998,413)</u>	<u>74,473,224</u>	<u>-</u>
Other Long-Term Obligations:					
Capital Leases Payable	371,284	-	(80,721)	290,563	-
Compensated Absences Payable	<u>5,346,401</u>	<u>303,885</u>	<u>(338,511)</u>	<u>5,311,775</u>	<u>247,059</u>
Total Other Long-Term Obligations	<u>5,717,685</u>	<u>303,885</u>	<u>(419,232)</u>	<u>5,602,338</u>	<u>247,059</u>
Total Governmental Activities	<u>\$ 123,160,250</u>	<u>\$ 303,885</u>	<u>\$ (34,748,374)</u>	<u>\$ 88,715,761</u>	<u>\$ 2,592,059</u>

Compensated absences will be paid from the general fund and the following nonmajor governmental funds: the food service fund, the child care fund, the IDEA-B fund and the Title I fund.

See Notes 15 and 16 for further information on the District's net pension liability and net OPEB liability, respectively. The District pays obligations related to employee compensation from the fund benefitting from their service.

See Note 9 for detail on the District's capital lease obligations.

Series 2013 Refunding Bonds

On May 7, 2013, the District issued \$10,480,000 in Series A school improvement refunding bonds in order to refund a portion of the Series 2006 high school refunding bonds in order to take advantage of lower interest rates. The Series 2013 refunding bonds bear interest rates ranging from 1.221% to 2.318% and mature on December 1, 2021. These bonds are paid from the bond retirement fund.

The District deposited \$12,177,798 in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded Series 2006 high school refunding bonds. As a result, \$11,195,000 of these bonds were considered defeased and the liability has been removed from the basic financial statements. As of June 30, 2016, the outstanding amount of the refunded Series 2006 high school bonds is \$11,195,000.

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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price (payment to the refunded bond escrow agent) exceeded the net carrying amount (par value of the bonds less unamortized deferred charges) of the old debt by \$1,033,690. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Series 2013 Energy Conservation Bonds

On May 7, 2013, the District issued \$1,280,000 in Series B energy conservation improvement bonds for the purpose of paying costs of installations, modifications, and remodeling of school buildings to conserve energy. These bonds are paid from the bond retirement fund and will mature in December 2019.

Future Debt Service Requirements

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

General Obligation Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 2,345,000	\$ 147,839	\$ 2,492,839
2020	2,395,000	106,125	2,501,125
2021	2,200,000	61,465	2,261,465
2022	1,685,000	19,529	1,704,529
Total	\$ 8,625,000	\$ 334,958	\$ 8,959,958

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$88,793,234, including available funds of \$4,434,714, and an unvoted debt margin of \$1,033,150.

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NOTE 12 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance July 1, 2017	\$ -
Current year set-aside requirement	680,184
Current year offsets	<u>(680,184)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the District participated in the Ohio Schools' Council's insurance program through Liberty Mutual Insurance Company and Travelers Property Casualty Company of America for various types of insurance.

The District had the following coverages in place during fiscal year 2018:

Company	Type of Coverage	Coverage
Liberty Mutual Insurance	Property	\$ 152,404,522
	Commercial Umbrella Liability	10,000,000
	Inland Marine	5,920,316
	Crime	425,000
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Fleet Insurance, single limit	1,000,000
	Fleet Insurance, uninsured	1,000,000
	Employee Benefits Liability, limit	1,000,000
	Employee Benefits Liability, aggregate	3,000,000
Travelers Property Casualty Co.	Boiler and Machinery	152,404,522

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NOTE 13 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

B. Employee Health Benefits

For fiscal year 2018, the District was a participant in the Suburban Health Consortium (the "Consortium") to provide employee medical/surgical and prescription drug benefits. The Consortium is administered by Medical Mutual of Ohio. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

The District's portion of the monthly medical insurance premium is \$504.80 for single coverage and \$1,072.71 for family coverage for full-time employees. The District's portion of the monthly prescription drug insurance premium is \$153.23 for single coverage and \$325.60 for family coverage for fulltime employees.

Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance or the Directors have the right to hold monies for an existing school district subsequent to the settlement of all expenses and claims.

C. Workers' Compensation

For the fiscal year 2018, the District participated in a self-insured retrospective rating program administered by KKS&G & Associates.

NOTE 14 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to litigation that, in the opinion of management, would have a material effect on the financial condition of the District.

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NOTE 14 – CONTINGENCIES - (Continued)

C. School Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

NOTE 15 - 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.

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 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.

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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 years 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 contribution to SERS was \$1,088,098 for fiscal year 2018. Of this amount, \$35,510 is reported as intergovernmental payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website 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 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.

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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, 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 contribution to STRS was \$3,226,300 for fiscal year 2018. Of this amount, \$524,434 is reported as due to other governments.

Net Pension Liability

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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.25169350%	0.20815781%	
Proportion of the net pension liability current measurement date	<u>0.24815850%</u>	<u>0.20213635%</u>	
Change in proportionate share	<u>-0.00353500%</u>	<u>-0.00602146%</u>	
Proportionate share of the net pension liability	\$ 14,826,922	\$ 48,017,923	\$ 62,844,845
Pension expense	\$ (933,989)	\$ (19,740,039)	\$ (20,674,028)

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	\$ 638,098	\$ 1,854,224	\$ 2,492,322
Changes of assumptions	766,712	10,502,047	11,268,759
District contributions subsequent to the measurement date	<u>1,088,098</u>	<u>3,226,300</u>	<u>4,314,398</u>
Total deferred outflows of resources	<u>\$ 2,492,908</u>	<u>\$ 15,582,571</u>	<u>\$ 18,075,479</u>

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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 387,006	\$ 387,006
Net difference between projected and actual earnings on pension plan investments	70,380	1,584,647	1,655,027
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>629,241</u>	<u>3,484,562</u>	<u>4,113,803</u>
Total deferred inflows of resources	<u>\$ 699,621</u>	<u>\$ 5,456,215</u>	<u>\$ 6,155,836</u>

\$4,314,398 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 194,325	\$ 961,762	\$ 1,156,087
2020	687,217	3,117,425	3,804,642
2021	169,293	2,338,268	2,507,561
2022	(345,645)	482,604	136,959
2023	<u>(1)</u>	<u>(3)</u>	<u>(4)</u>
Total	<u>\$ 705,189</u>	<u>\$ 6,900,056</u>	<u>\$ 7,605,245</u>

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.

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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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.

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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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>	

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 20,575,915	\$ 14,826,922	\$ 10,010,968

Actuarial Assumptions - STRS Ohio

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:

	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.

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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	<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 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.

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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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%)	Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 68,862,059	\$ 48,017,923	\$ 30,485,134

NOTE 16 - 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.

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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees 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 \$131,097.

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 \$171,397 for fiscal year 2018. Of this amount, \$132,412 is reported as intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	0.25403603%	0.20815781%	
Proportion of the net OPEB liability current measurement date	<u>0.25120810%</u>	<u>0.20213635%</u>	
Change in proportionate share	<u>-0.00282793%</u>	<u>-0.00602146%</u>	
Proportionate share of the net OPEB liability	\$ 3,741,765	\$ 7,886,614	\$ 11,628,379
OPEB expense	\$ (2,626,932)	\$ (2,452,575)	\$ (5,079,507)

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	\$ -	\$ 455,265	\$ 455,265
District contributions subsequent to the measurement date	<u>171,397</u>	<u>-</u>	<u>171,397</u>
Total deferred outflows of resources	<u>\$ 171,397</u>	<u>\$ 455,265</u>	<u>\$ 626,662</u>

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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 17,803	\$ 337,092	\$ 354,895
Changes of assumptions	639,758	635,293	1,275,051
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>80,641</u>	<u>276,025</u>	<u>356,666</u>
Total deferred inflows of resources	<u>\$ 738,202</u>	<u>\$ 1,248,410</u>	<u>\$ 1,986,612</u>

\$171,397 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ (265,466)	\$ (160,282)	\$ (425,748)
2020	(265,466)	(160,282)	(425,748)
2021	(202,820)	(160,282)	(363,102)
2022	(4,450)	(160,282)	(164,732)
2023	-	(76,009)	(76,009)
Thereafter	<u>-</u>	<u>(76,010)</u>	<u>(76,010)</u>
Total	<u>\$ (738,202)</u>	<u>\$ (793,147)</u>	<u>\$ (1,531,349)</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.

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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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.

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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 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%)	Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 8,141,540	\$ 3,741,765	\$ 5,632,786

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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	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	\$ 5,470,437	\$ 3,741,765	\$ 8,424,390

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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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	<u>1.00</u>	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.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

	1% Decrease (3.13%)	Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 10,587,653	\$ 7,886,614	\$ 5,751,911
	1% Decrease	Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 5,479,282	\$ 7,886,614	\$ 11,054,946

NOTE 17 - OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$50,000 to full-time employees and in an amount equal to double the employee's annual salary for administrators and administrative support staff positions from Anthem Life Insurance Company through the Suburban Health Consortium.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Twelve-month administrative personnel earn 20 days vacation leave and after 10 years of service, 25 days of vacation leave are earned.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for 28 percent of the total sick leave accumulation, up to a maximum accumulation of 88 days for certificated employees and 101 days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS. Upon retirement for administrators, payment is made for 30 percent of the total sick leave accumulation. Upon retirement for administrative support employees, payment is made for 30 percent of the total sick leave accumulation up to a maximum accumulation of 90 days.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 18 - PUBLIC ENTITY RISK POOL

Shared Risk Pool

The Suburban Health Consortium (the "Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium. The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation.

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

Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal, a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from Mr. Todd Puster, Treasurer of the Orange City School District (the "Fiscal Agent") at 32000 Chagrin Blvd., Pepper Pike, Ohio 44124-5974.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Connect

Connect, formerly known as the North Coast Council, is a jointly governed organization serving twenty-four school districts and two educational service centers. Connect was organized pursuant to Ohio Revised Code Chapter 167 as a regional council of governments for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among the member districts. Connect operates as an information technology center pursuant to ORC 3301.075. Each of the governments of these schools supports Connect based on a per pupil charge dependent upon the software packages used. The District contributed \$151,640 to Connect during fiscal year 2018. Connect is governed by a four-member Board of Directors consisting of the Superintendent of the Educational Service Center of Cuyahoga County, the Superintendent of the Educational Service Center of Lorain County, the Superintendent of the Educational Service Center of Medina County, and the Executive Director of the Ohio Schools Council. Financial information can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, who serves as fiscal agent, at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

B. Cuyahoga Valley Career Center

The Cuyahoga Valley Career Center (Center), a joint vocational school district, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of representatives from each participating school district's elected board, which possesses its own taxing authority. The Center's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Accordingly, the Cuyahoga Valley Career Center is not part of the District and its operations are not included as part of the reporting entity. The District made no contributions to the Cuyahoga Valley Career Center during fiscal year 2018. Financial information can be obtained by contacting the Treasurer at the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44141.

C. Ohio Schools' Council

The Ohio Schools' Council Association (Council) is a jointly governed organization among 241 school districts, educational service centers, joint vocational districts, and Developmental Disabilities boards in 33 Ohio counties. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2018, the District paid \$33,512 to the Council for annual membership, fees and services. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools' Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Compass Energy has been selected as the supplier and program manager. There are currently 163 program members in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and school districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The District participates in the Council's Power4Schools electric purchase program. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for in the program for either a two-year period or an eight and one-half year period depending upon electric generation area. There are currently 257 program members in the program. FirstEnergy Solutions has been selected as the supplier for the program. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to the actual usage for the year and any necessary adjustments are made.

NOTE 20 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2018 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 52,745

The primary purpose of interfund balances is to cover costs in specific funds where revenues were not received by June 30. Interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2018 are reported on the statement of net position.

- B. Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfer from general fund to:</u>	<u>Amount</u>
Bond retirement fund	\$ 231,725
Nonmajor governmental funds	<u>50,000</u>
Total	<u>\$ 281,725</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 20 - INTERFUND TRANSACTIONS - (Continued)

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 21 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Broadview Heights and the City of Brecksville are located within the taxing districts of the District. These cities have entered property tax abatement agreements with property owners that have effectively reduced the District's property tax revenues. For fiscal year 2018, the District's property tax revenues have been reduced by \$44,246 as a result of these agreements. The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

NOTE 22 - SIGNIFICANT SUBSEQUENT EVENT

On September 11, 2018, the District issued \$44,497,436 in Series 2018 General Obligation School Facilities Improvement Bonds (the "Series 2018 Bonds"). The Series 2018 Bonds are voted general obligations of the District with the full faith and credit and general property taxing power of the District pledged to the repayment. The bonds issue was approved by the voters at the May 8, 2018 election. The Series 2018 Bonds consist of \$11,480,000 in current interest serial bonds, \$32,220,000 in current interest term bonds, and \$797,436 in capital appreciation bonds. The Series 2018 Bonds were issued to provide funds for the purpose of constructing, furnishing, equipping and otherwise improving a new elementary school, renovating, remodeling, adding to, furnishing, equipping and otherwise improving existing District buildings and facilities and acquiring, clearing, improving and equipping real estate for District buildings and facilities.

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REQUIRED SUPPLEMENTARY INFORMATION

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.24815850%	0.25169350%	0.26081240%	0.27435900%	0.27435900%
District's proportionate share of the net pension liability	\$ 14,826,922	\$ 18,421,642	\$ 14,882,208	\$ 13,885,153	\$ 16,315,249
District's covered payroll	\$ 56,731,071	\$ 7,785,229	\$ 7,851,813	\$ 7,972,338	\$ 7,959,704
District's proportionate share of the net pension liability as a percentage of its covered payroll	26.14%	236.62%	189.54%	174.17%	204.97%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.20213635%	0.20815781%	0.21498607%	0.22338560%	0.22338560%
District's proportionate share of the net pension liability	\$ 48,017,923	\$ 69,676,694	\$ 59,415,861	\$ 54,335,109	\$ 64,723,626
District's covered payroll	\$ 159,244,593	\$ 22,404,614	\$ 22,802,700	\$ 22,823,838	\$ 23,887,869
District's proportionate share of the net pension liability as a percentage of its covered payroll	30.15%	310.99%	260.57%	238.06%	270.95%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,088,098	\$ 1,111,929	\$ 1,089,932	\$ 1,034,869
Contributions in relation to the contractually required contribution	<u>(1,088,098)</u>	<u>(1,111,929)</u>	<u>(1,089,932)</u>	<u>(1,034,869)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,059,985	\$ 7,942,350	\$ 7,785,229	\$ 7,851,813
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,104,966	\$ 1,101,623	\$ 1,051,389	\$ 886,635	\$ 1,115,693	\$ 882,724
<u>(1,104,966)</u>	<u>(1,101,623)</u>	<u>(1,051,389)</u>	<u>(886,635)</u>	<u>(1,115,693)</u>	<u>(882,724)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,972,338	\$ 7,959,704	\$ 7,817,019	\$ 7,053,580	\$ 8,239,978	\$ 8,970,772
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,226,300	\$ 3,121,194	\$ 3,136,646	\$ 3,192,378
Contributions in relation to the contractually required contribution	<u>(3,226,300)</u>	<u>(3,121,194)</u>	<u>(3,136,646)</u>	<u>(3,192,378)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,045,000	\$ 22,294,243	\$ 22,404,614	\$ 22,802,700
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 2,967,099	\$ 3,105,423	\$ 3,130,653	\$ 3,194,760	\$ 3,226,455	\$ 3,095,704
<u>(2,967,099)</u>	<u>(3,105,423)</u>	<u>(3,130,653)</u>	<u>(3,194,760)</u>	<u>(3,226,455)</u>	<u>(3,095,704)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,823,838	\$ 23,887,869	\$ 24,081,946	\$ 24,575,077	\$ 24,818,885	\$ 23,813,108
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.25120810%	0.25403603%
District's proportionate share of the net OPEB liability	\$ 3,741,765	\$ 7,240,967
District's covered payroll	\$ 7,942,350	\$ 7,785,229
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	47.11%	93.01%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	2018	2017
District's proportion of the net OPEB liability	0.20213635%	0.20815781%
District's proportionate share of the net OPEB liability	\$ 7,886,614	\$ 11,132,334
District's covered payroll	\$ 22,294,243	\$ 22,404,614
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.38%	49.69%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 171,397	\$ 134,068	\$ 124,134	\$ 198,576
Contributions in relation to the contractually required contribution	<u>(171,397)</u>	<u>(134,068)</u>	<u>(124,134)</u>	<u>(198,576)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,059,985	\$ 7,942,350	\$ 7,785,229	\$ 7,851,813
Contributions as a percentage of covered payroll	2.13%	1.69%	1.59%	2.53%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 134,484	\$ 146,940	\$ 166,046	\$ 241,938	\$ 202,703	\$ 512,013
<u>(134,484)</u>	<u>(146,940)</u>	<u>(166,046)</u>	<u>(241,938)</u>	<u>(202,703)</u>	<u>(512,013)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,972,338	\$ 7,959,704	\$ 7,817,019	\$ 7,053,580	\$ 8,239,978	\$ 8,970,772
1.69%	1.85%	2.12%	3.43%	2.46%	5.71%

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,045,000	\$ 22,294,243	\$ 22,404,614	\$ 22,802,700
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 235,945	\$ 235,357	\$ 235,316	\$ 239,580	\$ 248,189	\$ 238,131
<u>(235,945)</u>	<u>(235,357)</u>	<u>(235,316)</u>	<u>(239,580)</u>	<u>(248,189)</u>	<u>(238,131)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,823,838	\$ 23,887,869	\$ 24,081,946	\$ 24,575,077	\$ 24,818,885	\$ 23,813,108
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

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, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(SEE ACCOUNTANT'S COMPILATION REPORT)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) 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 the following: 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, (g) mortality among disabled members was updated to the following: 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.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.