

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

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2019*

JOHN SCOTT, TREASURER

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Julian & Grube, Inc.
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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, 2019 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 89 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 13, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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, 2019. 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 2019 are as follows:

- The District's net position of governmental activities increased \$7,406,805, which represents a 28.65% increase from 2018's net position.
- General revenues for governmental activities, accounted for \$56,534,679 in revenue or 89.90% of all revenues. Program specific revenues in the form of charges for services, capital grants and contributions and sales and operating grants and contributions accounted for \$6,353,692 or 10.10% of total governmental activities revenues of \$62,888,371.
- The District had \$55,481,566 in expenses related to governmental activities; only \$6,353,692 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 \$56,534,679 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, and the building fund. The general fund had \$53,382,109 in revenues and \$49,418,443 in expenditures and other financing uses. The general fund's fund balance increased \$3,963,666 from a balance of \$15,836,219 to \$19,799,885.
- The bond retirement fund had \$10,012,569 in revenues and other financing sources and \$4,525,581 in expenditures. The bond retirement fund's fund balance increased \$5,486,988 from \$4,434,714 to \$9,921,702 due to bond premiums received on the Series 2018 School Improvement bonds issued to build a new elementary school.
- The building fund had \$45,598,758 in revenues and other financing sources and \$1,116,524 in expenditures. The building fund's fund balance increased \$44,482,234 from \$196,452 to \$44,678,686 due to the issuance of \$44,499,977 in Series 2018 School Improvement bonds to build a new elementary school.

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, bond retirement fund, and the building fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 2019?" 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, bond retirement fund, and the building 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
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 - 72.

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 - 89 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, 2019
(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 2019 and 2018.

	Net Position - Governmental Activities	
	2019	2018
<u>Assets</u>		
Current and other assets	\$ 122,987,376	\$ 70,008,260
Net OPEB asset	3,256,740	-
Capital assets, net	25,734,576	26,039,518
Total assets	151,978,692	96,047,778
<u>Deferred outflows of resources</u>		
Unamortized deferred charges	247,150	362,004
Pension	15,653,403	18,075,479
OPEB	1,401,713	626,662
Total deferred outflows	17,302,266	19,064,145
<u>Liabilities</u>		
Current liabilities	6,606,168	5,956,661
Long-term liabilities:		
Due within one year	2,847,752	2,592,059
Due in more than one year:		
Net pension liability	60,800,935	62,844,845
Net OPEB liability	7,844,404	11,628,379
Other amounts	60,899,815	11,650,478
Total liabilities	138,999,074	94,672,422
<u>Deferred inflows of resources</u>		
Property taxes	36,757,154	38,154,003
Pensions	5,977,531	6,155,836
OPEB	5,997,344	1,986,612
Total deferred inflows	48,732,029	46,296,451
<u>Net Position</u>		
Net investment in capital assets	18,311,321	17,443,657
Restricted	6,505,810	7,292,029
Unrestricted (deficit)	(43,267,276)	(50,592,636)
Total net position (deficit)	\$ (18,450,145)	\$ (25,856,950)

**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 net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." 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 and the net OPEB asset.

GASB 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/asset 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.

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.

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CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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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/asset, respectively, not accounted for as deferred inflows/outflows.

Analysis of Net Position

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2019, the District's liabilities plus deferred inflows of resources exceeded assets and deferred outflows of resources by \$18,450,145.

Current and other assets increased primarily in the area of cash and investments as the District issued \$44,499,977 in Series 2018 School Improvement bonds for the purpose of building a new elementary school.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 15 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 16 for more detail. STRS did not report a net pension asset in the prior year.

Long-term liabilities increased due to the District issuing \$44,499,977 in Series 2018 School Improvement bonds to build a new elementary school. This increase was partially offset by a decrease in the net pension liability and net OPEB liability. These liabilities are 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 and OPEB to District employees, not the District.

Deferred inflows related to OPEB increased primarily due to changes in assumptions by STRS. See Note 16 for more detail.

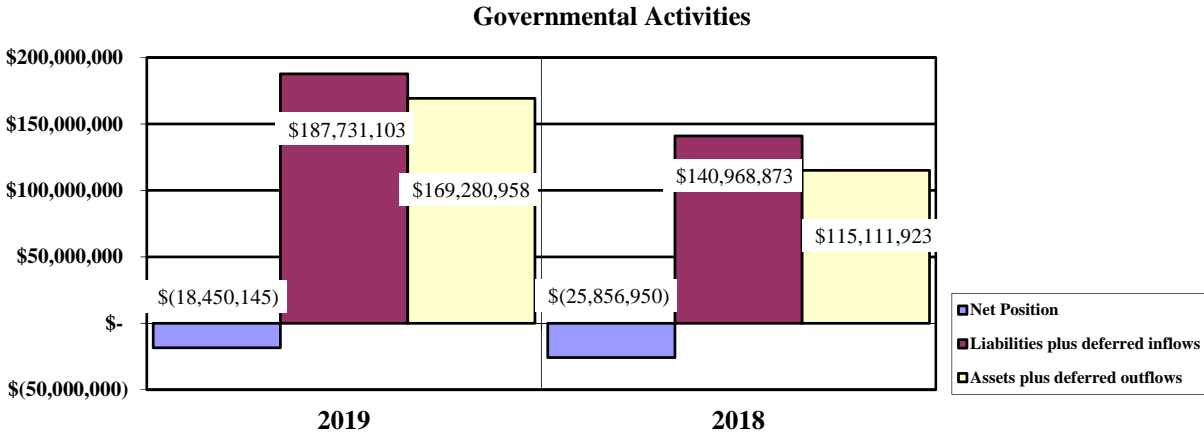
At year-end, capital assets represented 16.93% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and textbooks. The net investment in capital assets at June 30, 2019, was \$18,311,321. These capital assets are used to 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, \$6,505,810, 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 \$43,267,276 which is primarily caused by the reporting of the net pension liability described on page 8.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2019 and 2018.



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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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the change in net position for fiscal years 2019 and 2018.

	Change in Net Position - Governmental Activities	
	2019	2018
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,826,499	\$ 3,803,794
Operating grants and contributions	2,507,193	2,412,856
Capital grants and contributions	20,000	20,000
General revenues:		
Property taxes	44,714,714	42,188,829
Payments in lieu of taxes	80,822	81,886
Grants and entitlements	9,777,974	10,019,469
Investment earnings	1,953,275	173,633
Miscellaneous	7,894	12,519
Total revenues	<u>62,888,371</u>	<u>58,712,986</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	22,313,315	8,436,577
Special	8,357,018	3,475,756
Vocational	111,226	33,278
Other	1,062,667	1,056,602
Support services:		
Pupil	3,252,695	1,233,552
Instructional staff	1,621,364	765,675
Board of education	130,630	145,618
Administration	2,965,551	798,081
Fiscal	1,192,394	845,330
Business	391,627	239,252
Operations and maintenance	4,519,924	2,906,522
Pupil transportation	3,456,394	1,695,447
Central	232,377	208,919
Operation of non-instructional services:		
Food service operations	1,301,190	884,551
Child care operations	357,013	87,788
Other non-instructional services	425,969	382,778
Extracurricular activities	1,341,448	652,880
Interest and fiscal charges	2,448,764	286,041
Total expenses	<u>55,481,566</u>	<u>24,134,647</u>
Change in net position	7,406,805	34,578,339
Net position at beginning of year	<u>(25,856,950)</u>	<u>(60,435,289)</u>
Net position at end of year	<u>\$ (18,450,145)</u>	<u>\$ (25,856,950)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Activities

The net position of the District's governmental activities increased \$7,406,805. Total governmental expenses of \$55,481,566 were offset by program revenues of \$6,353,692 and general revenues of \$56,534,679. Program revenues supported 11.45% 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 86.65% of total governmental revenue. Real estate property is reappraised every six years. The increase in property tax revenue for fiscal year 2019 was due to a full year of collections on the 5.99 mill operating levy and due to fluctuations in the amount of tax advance available from the Cuyahoga County Fiscal Officer at fiscal year-end. The tax advance available for the fiscal years ended June 30, 2019, 2018, and 2017 were \$7,592,096, \$5,158,046, and \$6,276,615, 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. Operating grants and contributions increased in part due to increased funding from the state and federal government through IDEA Part B and Title I. The increase in earnings on investment revenues is due primarily to the additional monies invested as a result of the Series 2018 bonds issue. The increase in earning on investments was aided by the requirement that the District report investments at fair value rather than cost. The District's fair value of investments exceeded their cost at fiscal year-end. Since fluctuations in the fair value of District investments are reported as a component of investment earnings, these fluctuations can cause variations 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. Grants and entitlements decreased in part due to a decrease in foundation funding from the State of Ohio. All other revenue items were comparable to the prior year or were immaterial in variance amount.

Overall, expenses of the governmental activities increased \$31,346,919 or 129.88%. This increase is primarily the result of the 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% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared fiscal year 2017.

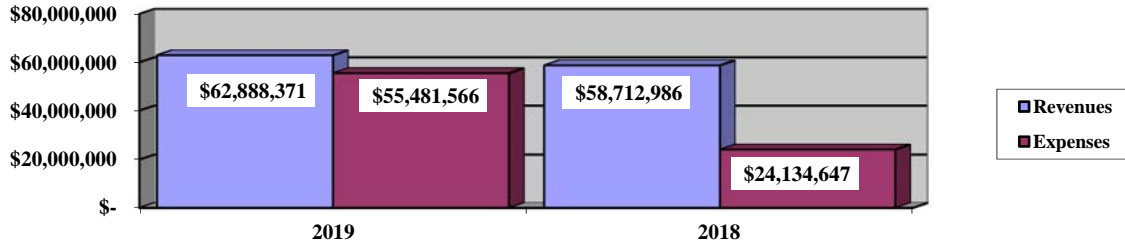
On an accrual basis, the District reported \$4,583,696 and (\$20,674,028) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported (\$3,621,012) and (\$5,079,507) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was \$26,716,219. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The District's total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2019 and 2018.

Governmental Activities - Revenues and Expenses



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 2019 and 2018. 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 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Instruction:				
Regular	\$ 22,313,315	\$ 21,057,569	\$ 8,436,577	\$ 7,326,668
Special	8,357,018	7,614,481	3,475,756	2,613,524
Vocational	111,226	108,323	33,278	28,685
Other	1,062,667	863,140	1,056,602	834,283
Support services:				
Pupil	3,252,695	2,831,211	1,233,552	769,101
Instructional staff	1,621,364	1,425,059	765,675	637,383
Board of Education	130,630	130,630	145,618	145,618
Administration	2,965,551	2,965,547	798,081	798,056
Fiscal	1,192,394	1,192,394	845,330	845,330
Business	391,627	391,627	239,252	239,252
Operations and maintenance	4,519,924	4,466,150	2,906,522	2,852,420
Pupil transportation	3,456,394	3,205,312	1,695,447	1,408,631
Central	232,377	220,740	208,919	196,156
Operation of non-instructional services:				
Food service operations	1,301,190	(106,756)	884,551	(509,419)
Child care operations	357,013	(98,393)	87,788	(455,385)
Other non-instructional services	425,969	(43,652)	382,778	(7,955)
Extracurricular activities	1,341,448	455,728	652,880	(110,392)
Interest and fiscal charges	2,448,764	2,448,764	286,041	286,041
Total expenses	<u>\$ 55,481,566</u>	<u>\$ 49,127,874</u>	<u>\$ 24,134,647</u>	<u>\$ 17,897,997</u>

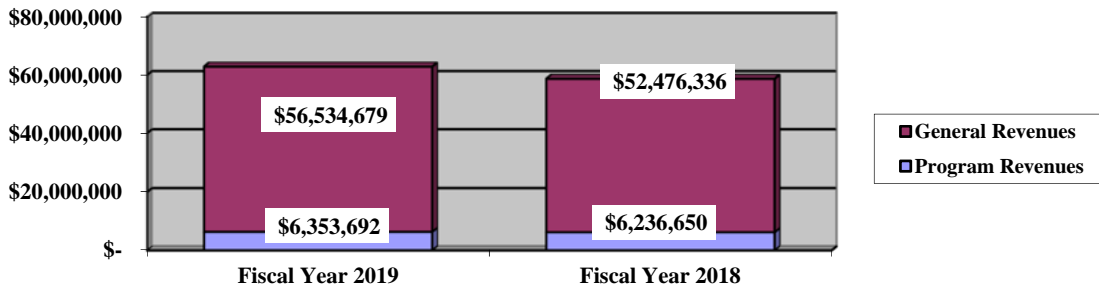
**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The dependence upon general revenues during fiscal year 2019 for governmental activities is apparent, as 93.09% of 2019 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.55% in 2019. 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.

The graph below presents the District's governmental activities revenue for fiscal years 2019 and 2018.

Governmental Activities - General and Program Revenues



The District's Funds

During 2019 the District's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$77,277,010, which is greater than last year's total of \$23,543,579. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Fund Balance <u>June 30, 2019</u>	Fund Balance <u>June 30, 2018</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 19,799,885	\$ 15,836,219	\$ 3,963,666	25.03 %
Bond Retirement	9,921,702	4,434,714	5,486,988	123.73 %
Building	44,678,686	196,452	44,482,234	22,642.80 %
Other Governmental	2,876,737	3,076,194	(199,457)	(6.48) %
Total	<u>\$ 77,277,010</u>	<u>\$ 23,543,579</u>	<u>\$ 53,733,431</u>	228.23 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

General Fund

The District's general fund balance increased \$3,963,666. The tables below assist in illustrating the financial activities of the general fund.

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Property taxes	\$ 41,028,964	\$ 38,006,512	\$ 3,022,452	7.95 %
Payment in lieu of taxes	80,822	81,693	(871)	(1.07) %
Tuition	725,430	666,903	58,527	8.78 %
Earnings on investments	707,240	172,036	535,204	311.10 %
Intergovernmental	9,762,712	10,014,749	(252,037)	(2.52) %
Other revenues	<u>1,076,941</u>	<u>1,069,246</u>	<u>7,695</u>	0.72 %
Total	<u>\$ 53,382,109</u>	<u>\$ 50,011,139</u>	<u>\$ 3,370,970</u>	6.74 %
<u>Expenditures</u>				
Instruction	\$ 31,238,771	\$ 29,452,483	\$ 1,786,288	6.06 %
Support services	17,008,638	16,540,384	468,254	2.83 %
Extracurricular activities	800,892	842,446	(41,554)	(4.93) %
Debt Service	<u>81,942</u>	<u>81,942</u>	<u>-</u>	- %
Total	<u>\$ 49,130,243</u>	<u>\$ 46,917,255</u>	<u>\$ 2,212,988</u>	4.72 %

Property tax revenue increased due to a full year of collections on the 5.99 mill operating levy which was approved by voters at the May 2, 2017 election. 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, 2019, 2018, and 2017 were \$6,870,431, \$4,676,030, and \$5,585,009, 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 increase 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 2019. The increase in earning on investments was partially aided by an increase 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. All other revenues remained comparable to the prior fiscal year.

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 administration. Overall, expenditures in the general fund increased 4.72% 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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Bond Retirement Fund

The District's bond retirement fund balance increased \$5,486,988. The tables below assist in illustrating the financial activities of the bond retirement fund.

	2019 Amount	2018 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Property taxes	\$ 2,357,342	\$ 2,230,819	\$ 126,523	5.67 %
Payment in lieu of taxes	-	115	(115)	(100.00) %
Intergovernmental	290,863	290,208	655	0.23 %
Total	<u>\$ 2,648,205</u>	<u>\$ 2,521,142</u>	<u>\$ 127,063</u>	5.04 %
<u>Expenditures</u>				
Debt Service:				
Principal retirement	\$ 2,345,000	\$ 2,320,000	\$ 25,000	1.08 %
Interest and fiscal charges	1,766,844	183,375	1,583,469	863.51 %
Bond issuance costs	413,737	-	413,737	100.00 %
Total	<u>\$ 4,525,581</u>	<u>\$ 2,503,375</u>	<u>\$ 2,022,206</u>	80.78 %

The increase in property tax revenue for fiscal year 2019 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, 2019, 2018, and 2017 were \$432,448, \$282,991, and \$412,840, 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 2019, the bond retirement fund made principal payments on bonds of \$2,345,000. The increase in expenditures in the bond retirement fund is due to more interest paid on outstanding debt due to the issuance of the Series 2018 School Improvement bonds. Taxes and intergovernmental revenues were not sufficient to cover debt service and fiscal charges incurred in the fund. The bond retirement fund received \$7,134,164 related to the premium for the Series 2018 School Improvement bonds to be used for debt service. In addition, the bond retirement fund received a \$230,200 transfer in from the general fund in fiscal year 2019.

Building Fund

The building fund had \$45,598,758 in revenues and other financing sources and \$1,116,524 in expenditures. The building fund's fund balance increased \$44,482,234 from \$196,452 to \$44,678,686 due to the issuance of \$44,499,977 in Series 2018 School Improvement bonds to build a new elementary school.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 2019, 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 \$50,587,917 and \$48,242,391, respectively. The actual revenues and other financing sources were \$50,675,340, which was \$2,432,949 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. On the non-GAAP budgetary basis, property tax revenues represent 76.51% of the total general fund revenues and other financial sources.

General fund original and final appropriations and other financing uses were \$49,301,487 and \$50,833,837, respectively. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled \$49,429,982, which were \$1,403,855 less than final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

During fiscal year 2019, the District had \$25,734,576 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 2019 balances compared to 2018:

Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities	
	2019	2018
Land	\$ 3,088,833	\$ 3,088,833
Construction in progress	1,116,525	176,199
Buildings and improvements	19,028,290	20,176,445
Furniture and equipment	990,704	947,963
Vehicles	1,494,484	1,622,319
Textbooks	15,740	27,759
Total	\$ 25,734,576	\$ 26,039,518

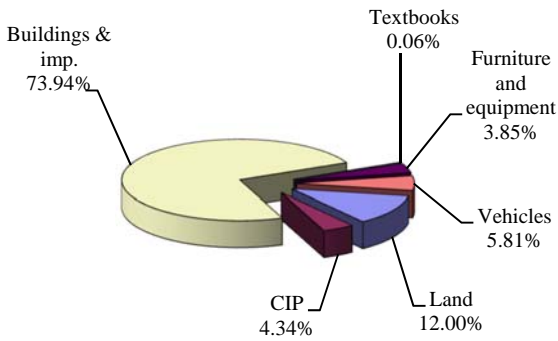
Total additions to governmental activities capital assets for 2019 were \$1,685,624. Governmental activities depreciation expense for fiscal year 2019 was \$1,990,566. There were no disposals of capital assets in fiscal year 2019. Overall, governmental activities capital assets of the District decreased \$304,942.

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

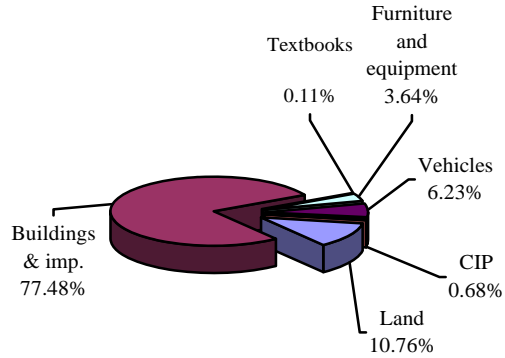
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

The graphs on the following page show the breakdown of the governmental activities capital assets by category for 2019 and 2018.

Capital Assets - 2019



Capital Assets - 2018



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

Debt Administration

The following table summarizes the governmental activities bonds outstanding:

Outstanding Debt, at Year End

	<u>Balance June 30, 2019</u>	<u>Balance June 30, 2018</u>
General obligation bonds:		
2013 School Improvement Refunding	\$ 6,050,000	\$ 8,175,000
2013 Energy Conservation	230,000	450,000
2018 School Improvement	<u>44,499,977</u>	<u>-</u>
Total	<u><u>\$ 50,779,977</u></u>	<u><u>\$ 8,625,000</u></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.

On September 11, 2018, the District issued \$44,499,977 in Series 2018 School Improvement bonds. The bonds are paid from the bond retirement fund and will mature in December 2021, 2019, and 2055, respectively.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 John Scott, Treasurer/CFO at Brecksville-Broadview Heights City School District, 6638 Mill Road, Brecksville, Ohio 44141 or e-mail at scottj@bbhcsd.org.

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

STATEMENT OF NET POSITION
JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 75,751,180
Receivables:	
Property taxes	46,247,955
Accounts	167,540
Accrued interest	184,395
Intergovernmental	534,280
Prepayments	91,792
Materials and supplies inventory	2,813
Inventory held for resale	7,421
Net OPEB asset (Note 16)	3,256,740
Capital assets:	
Nondepreciable capital assets	4,205,358
Depreciable capital assets, net	21,529,218
Capital assets, net	25,734,576
Total assets	151,978,692
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	247,150
Pension (Note 15)	15,653,403
OPEB (Note 16)	1,401,713
Total deferred outflows of resources	17,302,266
Liabilities:	
Accounts payable	532,492
Contracts payable	46,262
Accrued wages and benefits payable	4,978,818
Intergovernmental payable	837,359
Accrued interest payable	211,237
Long-term liabilities:	
Due within one year	2,847,752
Due in more than one year:	
Net pension liability (Note 15)	60,800,935
Net OPEB liability (Note 16)	7,844,404
Other amounts due in more than one year	60,899,815
Total liabilities	138,999,074
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	36,757,154
Pension (Note 15)	5,977,531
OPEB (Note 16)	5,997,344
Total deferred inflows of resources	48,732,029
Net position:	
Net investment in capital assets	18,311,321
Restricted for:	
Capital projects	3,081,637
Debt service	2,722,812
Locally funded programs	206,288
State funded programs	16,874
Federally funded programs	104,464
Food service operations	177,196
Student activities	196,539
Unrestricted (deficit)	(43,267,276)
Total net position (deficit)	\$ (18,450,145)

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, 2019
(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	\$ 22,313,315	\$ 890,518	365,228	\$ -	\$	(21,057,569)
Special	8,357,018	168,931	573,606	-	-	(7,614,481)
Vocational	111,226	-	2,903	-	-	(108,323)
Other	1,062,667	187,192	12,335	-	-	(863,140)
Support services:						
Pupil	3,252,695	-	421,484	-	-	(2,831,211)
Instructional staff	1,621,364	103,708	92,597	-	-	(1,425,059)
Board of education	130,630	-	-	-	-	(130,630)
Administration	2,965,551	-	4	-	-	(2,965,547)
Fiscal	1,192,394	-	-	-	-	(1,192,394)
Business	391,627	-	-	-	-	(391,627)
Operations and maintenance	4,519,924	53,774	-	-	-	(4,466,150)
Pupil transportation	3,456,394	30,795	220,287	-	-	(3,205,312)
Central	232,377	-	11,637	-	-	(220,740)
Operation of non-instructional services:						
Food service operations	1,301,190	1,091,854	316,092	-	-	106,756
Child care operations	357,013	455,406	-	-	-	98,393
Other non-instructional services	425,969	-	469,621	-	-	43,652
Extracurricular activities	1,341,448	844,321	21,399	20,000	-	(455,728)
Interest and fiscal charges	2,448,764	-	-	-	-	(2,448,764)
Total governmental activities	\$ 55,481,566	\$ 3,826,499	\$ 2,507,193	\$ 20,000	-	(49,127,874)
 General revenues:						
Property taxes levied for:						
General purposes						40,760,345
Debt service						2,344,131
Capital outlay						1,610,238
Payments in lieu of taxes						80,822
Grants and entitlements not restricted to specific programs						9,777,974
Investment earnings						1,953,275
Miscellaneous						7,894
Total general revenues						56,534,679
Change in net position						7,406,805
 Net position (deficit) at beginning of year						
						(25,856,950)
 Net position (deficit) at end of year						
						\$ (18,450,145)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	Bond Retirement	Building	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 18,571,994	\$ 9,489,254	\$ 44,631,584	\$ 3,058,348	\$ 75,751,180
Receivables:					
Property taxes	42,231,321	2,353,753	-	1,662,881	46,247,955
Accounts	74,320	-	-	93,220	167,540
Accrued interest	39,738	-	144,657	-	184,395
Interfund loans	101,196	-	-	-	101,196
Intergovernmental	251,388	-	-	282,892	534,280
Prepayments	88,386	-	-	3,406	91,792
Materials and supplies inventory	-	-	-	2,813	2,813
Inventory held for resale	-	-	-	7,421	7,421
Total assets	<u>\$ 61,358,343</u>	<u>\$ 11,843,007</u>	<u>\$ 44,776,241</u>	<u>\$ 5,110,981</u>	<u>\$ 123,088,572</u>
Liabilities:					
Accounts payable	\$ 99,187	\$ -	\$ -	\$ 433,305	\$ 532,492
Contracts payable	-	-	46,262	-	46,262
Accrued wages and benefits payable	4,899,586	-	-	79,232	4,978,818
Compensated absences payable	221,142	-	-	2,724	223,866
Intergovernmental payable	768,643	-	-	68,716	837,359
Interfund loans payable	-	-	-	101,196	101,196
Total liabilities	<u>5,988,558</u>	<u>-</u>	<u>46,262</u>	<u>685,173</u>	<u>6,719,993</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	33,630,467	1,822,559	-	1,304,128	36,757,154
Delinquent property tax revenue not available	1,730,423	98,746	-	69,536	1,898,705
Intergovernmental revenue not available	182,606	-	-	175,407	358,013
Accrued interest not available	26,404	-	51,293	-	77,697
Total deferred inflows of resources	<u>35,569,900</u>	<u>1,921,305</u>	<u>51,293</u>	<u>1,549,071</u>	<u>39,091,569</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	-	-	-	2,813	2,813
Prepays	88,386	-	-	3,406	91,792
Restricted:					
Debt service	-	9,921,702	-	-	9,921,702
Capital improvements	-	-	44,678,686	1,619,313	46,297,999
Food service operations	-	-	-	239,766	239,766
Non-public schools	-	-	-	16,874	16,874
Targeted academic assistance	-	-	-	39,204	39,204
Extracurricular activities	-	-	-	196,341	196,341
Local grants	-	-	-	224,726	224,726
Committed:					
After school program	-	-	-	487,782	487,782
College scholarships	-	-	-	125,331	125,331
Assigned:					
Student instruction	381,407	-	-	-	381,407
Student and staff support	261,390	-	-	-	261,390
Extracurricular activities	9,961	-	-	-	9,961
School supplies	392,803	-	-	-	392,803
Unassigned (deficit)	18,665,938	-	-	(78,819)	18,587,119
Total fund balances	<u>19,799,885</u>	<u>9,921,702</u>	<u>44,678,686</u>	<u>2,876,737</u>	<u>77,277,010</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 61,358,343</u>	<u>\$ 11,843,007</u>	<u>\$ 44,776,241</u>	<u>\$ 5,110,981</u>	<u>\$ 123,088,572</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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Total governmental fund balances		\$ 77,277,010
<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.		25,734,576
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 1,898,705	
Accrued interest receivable	77,697	
Intergovernmental receivable	358,013	
Total	358,013	2,334,415
Unamortized premiums on bonds issued are not recognized in the funds.		(6,974,630)
Unamortized deferred charges on debt refundings are not recognized in the funds.		247,150
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(211,237)
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	15,653,403	
Deferred inflows - Pension	(5,977,531)	
Net pension liability	(60,800,935)	
Total	(60,800,935)	(51,125,063)
The net OPEB liability/asset is not due and payable in the current period; therefore, liability/asset and related deferred inflows/outflows of resources are not reported in governmental funds.		
Net OPEB asset	3,256,740	
Deferred outflows - OPEB	1,401,713	
Deferred inflows - OPEB	(5,997,344)	
Net OPEB liability	(7,844,404)	
Total	(7,844,404)	(9,183,295)
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	(50,896,216)	
Capital lease obligation	(223,149)	
Compensated absences payable	(5,429,706)	
Total	(56,549,071)	(56,549,071)
Net position (deficit) of governmental activities		\$ (18,450,145)

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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 41,028,964	\$ 2,357,342	\$ -	\$ 1,621,814	\$ 45,008,120
Payment in lieu of taxes	80,822	-	-	-	80,822
Tuition	725,430	-	-	455,406	1,180,836
Transportation fees	33,584	-	-	-	33,584
Earnings on investments	707,240	-	1,053,781	139,807	1,900,828
Charges for services	-	-	-	1,091,854	1,091,854
Extracurricular	622,549	-	-	534,124	1,156,673
Classroom materials and fees	324,586	-	-	-	324,586
Rental income	59,778	-	-	-	59,778
Contributions and donations	23,439	-	20,000	140,746	184,185
Contract services	5,111	-	-	-	5,111
Other local revenues	7,894	-	-	31,571	39,465
Intergovernmental - state	9,625,814	290,863	-	438,874	10,355,551
Intergovernmental - federal	136,898	-	-	1,434,239	1,571,137
Total revenues	53,382,109	2,648,205	1,073,781	5,888,435	62,992,530
Expenditures:					
Current:					
Instruction:					
Regular	21,551,781	-	-	1,277,105	22,828,886
Special	8,579,717	-	-	259,327	8,839,044
Vocational	118,863	-	-	-	118,863
Other	988,410	-	-	-	988,410
Support services:					
Pupil	2,986,303	-	-	415,191	3,401,494
Instructional staff	1,671,360	-	-	58,283	1,729,643
Board of education	131,959	-	-	-	131,959
Administration	3,273,318	-	-	4	3,273,322
Fiscal	1,221,486	-	-	-	1,221,486
Business	416,574	-	-	-	416,574
Operations and maintenance	4,008,061	-	-	-	4,008,061
Pupil transportation	3,078,800	-	-	549,531	3,628,331
Central	220,777	-	-	11,600	232,377
Operation of non-instructional services:					
Food service operations	-	-	-	1,374,804	1,374,804
Child care operations	-	-	-	382,651	382,651
Other non-instructional services	-	-	-	437,038	437,038
Extracurricular activities	800,892	-	-	584,007	1,384,899
Facilities acquisition and construction	-	-	1,116,524	771,351	1,887,875
Debt service:					
Principal retirement	67,414	2,345,000	-	-	2,412,414
Interest and fiscal charges	14,528	1,766,844	-	-	1,781,372
Bond issuance costs	-	413,737	-	-	413,737
Total expenditures	49,130,243	4,525,581	1,116,524	6,120,892	60,893,240
Excess of revenues over (under) expenditures	4,251,866	(1,877,376)	(42,743)	(232,457)	2,099,290
Other financing sources (uses):					
Premium on bonds issued	-	7,134,164	-	-	7,134,164
Issuance of bonds	-	-	44,499,977	-	44,499,977
Transfers in	-	230,200	25,000	33,000	288,200
Transfers (out)	(288,200)	-	-	-	(288,200)
Total other financing sources (uses)	(288,200)	7,364,364	44,524,977	33,000	51,634,141
Net change in fund balances	3,963,666	5,486,988	44,482,234	(199,457)	53,733,431
Fund balances at beginning of year	15,836,219	4,434,714	196,452	3,076,194	23,543,579
Fund balances at end of year	\$ 19,799,885	\$ 9,921,702	\$ 44,678,686	\$ 2,876,737	\$ 77,277,010

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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

Net change in fund balances - total governmental funds	\$	53,733,431
<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	\$ 1,685,624	
Current year depreciation	(1,990,566)	
Total		(304,942)
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	(293,406)	
Earnings on investments	59,889	
Miscellaneous	(25,923)	
Intergovernmental revenue	337,887	
Total		78,447
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	2,345,000	
Capital leases	67,414	
Total		2,412,414
Issuance of bonds are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position.		
		(44,499,977)
Premiums on bonds issued are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position		
		(7,134,164)
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:		
(Increase) in accrued interest payable	(197,295)	
Accreted interest on capital appreciation bonds	(116,239)	
Amortization of bond premiums	174,733	
Amortization of deferred charge on refunding	(114,854)	
Total		(253,655)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		4,383,835
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(4,583,696)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		184,022
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		3,621,012
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.		
		(229,922)
Change in net position of governmental activities	\$	7,406,805

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, 2019
(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	\$ 38,971,933	\$ 36,933,161	\$ 38,770,564	\$ 1,837,403
Payment in lieu of taxes.	81,242	76,992	80,822	3,830
Tuition.	729,197	691,050	725,429	34,379
Transportation fees.	30,210	28,630	30,054	1,424
Earnings on investments	535,354	459,458	532,588	73,130
Extracurricular.	312,271	295,934	310,657	14,723
Classroom materials and fees	20,726	19,642	20,619	977
Rental income	77,863	73,790	77,461	3,671
Contract services.	5,138	4,869	5,111	242
Other local revenues	7,331	6,947	7,293	346
Intergovernmental - state	9,679,043	9,172,695	9,629,031	456,336
Intergovernmental - federal	137,609	130,410	136,898	6,488
Total revenues	<u>50,587,917</u>	<u>47,893,578</u>	<u>50,326,527</u>	<u>2,432,949</u>
Expenditures:				
Current:				
Instruction:				
Regular	21,460,377	22,946,033	21,674,045	1,271,988
Special.	8,420,085	8,568,613	8,527,769	40,844
Vocational.	125,864	122,040	118,625	3,415
Other.	899,534	879,959	873,590	6,369
Support services:				
Pupil.	2,877,286	2,813,795	2,968,287	(154,492)
Instructional staff	1,465,436	1,423,627	1,525,501	(101,874)
Board of education	189,276	170,654	135,959	34,695
Administration.	3,177,754	3,089,819	3,186,247	(96,428)
Fiscal	1,321,856	1,315,131	1,231,335	83,796
Business	472,163	558,718	498,419	60,299
Operations and maintenance.	4,230,390	4,197,195	4,100,788	96,407
Pupil transportation	3,217,913	3,236,286	3,075,117	161,169
Central.	243,913	261,462	223,779	37,683
Extracurricular activities.	853,915	904,039	833,776	70,263
Total expenditures	<u>48,955,762</u>	<u>50,487,371</u>	<u>48,973,237</u>	<u>1,514,134</u>
Excess of revenues over (under) expenditures	<u>1,632,155</u>	<u>(2,593,793)</u>	<u>1,353,290</u>	<u>3,947,083</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	256,068	256,068	-
Transfers (out).	(305,725)	(306,466)	(315,549)	(9,083)
Advances in.	-	92,745	92,745	-
Advances (out)	(40,000)	(40,000)	(141,196)	(101,196)
Total other financing sources (uses)	<u>(345,725)</u>	<u>2,347</u>	<u>(107,932)</u>	<u>(110,279)</u>
Net change in fund balance	1,286,430	(2,591,446)	1,245,358	3,836,804
Fund balance at beginning of year	15,226,960	15,226,960	15,226,960	-
Prior year encumbrances appropriated	419,487	419,487	419,487	-
Fund balance at end of year	<u>\$ 16,932,877</u>	<u>\$ 13,055,001</u>	<u>\$ 16,891,805</u>	<u>\$ 3,836,804</u>

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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Agency
Assets:	
Equity in pooled cash and investments	\$ 154,605
Receivables:	
Accounts	91
Total assets.	\$ 154,696
Liabilities:	
Due to students.	\$ 154,696
Total liabilities	\$ 154,696

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, 2019
(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 230 non-certified employees and 282 certified employees to provide services to 3,790 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, 2019
(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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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.

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.

Building fund - The building fund is used to account for and report financial resources that are restricted in use for the purpose of building a new elementary school building.

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) financial resources 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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.

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, 2019
(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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 15 and 16 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, 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, 2019, but which were levied to finance fiscal year 2020 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/asset, 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, 2019
(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 2019, 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. Treasury notes, 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 and U.S. government money market mutual funds which are valued at net asset value, the District measures investments at fair value which is based on quoted market prices.

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted 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 a NAV per share that approximates fair value.

For fiscal year 2019, 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 2019 amounted to \$707,240, which includes \$182,877 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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 and construction in progress 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, 2019
(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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

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 District Board of Education (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the 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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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, net OPEB asset, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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 2019, 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, 2019
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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

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Miscellaneous state grants	\$ 8,654
IDEA Part B	50,284
Miscellaneous federal grants	19,881

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 from adjustments for accrued liabilities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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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.

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 fair 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, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty 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.

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

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, or by the financial institutions participation in the Ohio Pooled Collateral System, 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.

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.

A. Cash on Hand

At year end, the District had \$1,568 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, 2019, the carrying amount of all District deposits was \$11,087,822 and the bank balance of all District deposits was \$11,625,762. Of the bank balance, \$750,000 was covered by the FDIC and \$11,875,762 was exposed to custodial credit risk discussed below because those deposits were uninsured and uncollateralized.

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 fair 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the District's financial institutions either participated in the OPCS with a collateral rate of 102 percent or provided collateral for 105 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.

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

C. Investments

As of June 30, 2019, 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
<i>Fair Value:</i>						
FHLB	\$ 3,431,919	\$ -	\$ 298,467	\$ 497,615	\$ 1,662,639	\$ 973,198
FHLMC	14,060,501	-	482,910	4,190,203	-	9,387,388
FNMA	7,026,858	569,840	-	3,586,601	2,622,785	247,632
FFCB	4,826,586	-	-	1,907,961	2,332,890	585,735
Commercial Paper	8,588,772	8,588,772	-	-	-	-
Negotiable CD's	2,974,649	361,717	-	1,233,132	-	1,379,800
U.S. Treasury Notes	12,001,837	-	1,707,497	4,681,999	3,300,312	2,312,029
<i>Net Asset Value:</i>						
U.S. Government Money						
Market Mutual Fund	2,977,687	2,977,687	-	-	-	-
STAR Ohio	8,927,586	8,927,586	-	-	-	-
Total	\$ 64,816,395	\$ 21,425,602	\$ 2,488,874	\$ 16,097,511	\$ 9,918,626	\$ 14,885,782

The weighted average maturity of investments is 1.16 years.

The District's investments in federal agency securities (FHLB, FHLMC, FNMA, FFCB), commercial paper, U.S. Treasury notes, 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. Treasury notes were rated Aaa by Moody's Investor Services. The U.S. government money market mutual fund was rated AAAM by Standard & Poor's. The investments in commercial paper were rated A1 and A1+ by Standard & Poor's and P1 by Moody's. The negotiable CDs are not rated but are fully insured by the FDIC. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

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, U.S. Treasury notes, 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, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Fair Value:		
FHLB	\$ 3,431,919	5.29
FHLMC	14,060,501	21.69
FNMA	7,026,858	10.84
FFCB	4,826,586	7.45
Commercial Paper	8,588,772	13.25
Negotiable CD's	2,974,649	4.59
U.S. Treasury notes	12,001,837	18.53
Net Asset Value:		
U.S. Government Money		
Market Mutual Fund	2,977,687	4.59
STAR Ohio	8,927,586	13.77
Total	<u>\$ 64,816,395</u>	<u>100.00</u>

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, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,087,822
Investments	64,816,395
Cash on hand	<u>1,568</u>
Total	<u>\$ 75,905,785</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 75,751,180
Agency funds	<u>154,605</u>
Total	<u>\$ 75,905,785</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - RECEIVABLES

Receivables at June 30, 2019 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	\$ 46,247,955
Intergovernmental	534,280
Accrued interest	184,395
Accounts	<u>167,540</u>
 Total	 <u>\$ 47,134,170</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.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$6,870,431 in the general fund, \$432,448 in the bond retirement fund, and \$289,217 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for 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). 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 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 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,004,020,450	97.18	\$ 1,102,716,340	97.42
Public utility personal	<u>29,129,770</u>	<u>2.82</u>	<u>29,226,810</u>	<u>2.58</u>
Total	<u>\$ 1,033,150,220</u>	<u>100.00</u>	<u>\$ 1,131,943,150</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 82.89		\$ 82.79	

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);

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NOTE 7 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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	\$ 1,245,358
Net adjustment for revenue accruals	2,415,854
Net adjustment for expenditure accruals	(161,707)
Net adjustment for other sources/uses	(207,617)
Funds budgeted elsewhere **	88,091
Adjustment for encumbrances	583,687
GAAP basis	\$ 3,963,666

** 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.

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>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 523,609
Building fund	2,500
Nonmajor governmental funds	214,553
Total	\$ 740,662

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NOTE 9 - CAPITAL LEASE

During prior fiscal years, 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, 2019 was \$302,849 leaving a current book value of \$244,817.

A corresponding liability was recorded in the statement of net position. Principal payments in the 2019 fiscal year totaled \$67,414. 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, 2019:

Fiscal Year Ending June 30,	Amount
2020	\$ 81,942
2021	81,942
2022	81,942
Total minimum lease payments	245,826
Less: amount representing interest	(22,677)
Total	\$ 223,149

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 6/30/18	Additions	Deductions	Balance 06/30/19
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,088,833	\$ -	\$ -	\$ 3,088,833
Construction in progress	<u>176,199</u>	<u>1,198,531</u>	<u>(258,205)</u>	<u>1,116,525</u>
Total capital assets, not being depreciated	<u>3,265,032</u>	<u>1,198,531</u>	<u>(258,205)</u>	<u>4,205,358</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	52,127,812	258,205	-	52,386,017
Furniture and equipment	10,650,301	276,401	-	10,926,702
Vehicles	4,535,212	210,692	-	4,745,904
Textbooks	<u>2,900,364</u>	<u>-</u>	<u>-</u>	<u>2,900,364</u>
Total capital assets, being depreciated	<u>70,213,689</u>	<u>745,298</u>	<u>-</u>	<u>70,958,987</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(31,951,367)	(1,406,360)	-	(33,357,727)
Furniture and equipment	(9,702,338)	(233,660)	-	(9,935,998)
Vehicles	(2,912,893)	(338,527)	-	(3,251,420)
Textbooks	<u>(2,872,605)</u>	<u>(12,019)</u>	<u>-</u>	<u>(2,884,624)</u>
Total accumulated depreciation	<u>(47,439,203)</u>	<u>(1,990,566)</u>	<u>-</u>	<u>(49,429,769)</u>
Governmental activities capital assets, net	<u>\$ 26,039,518</u>	<u>\$ (46,737)</u>	<u>\$ (258,205)</u>	<u>\$ 25,734,576</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,403,110
Special	4,190
Vocational	150
Other	74,257
<u>Support services:</u>	
Pupil	32,345
Instructional staff	611
Administration	5,512
Fiscal	1,552
Business	5,222
Operations and maintenance	76,932
Pupil transportation	324,778
Operation of non-instructional services:	
Food service operations	10,678
Other non-instructional services	2,417
Extracurricular activities	<u>48,812</u>
Total depreciation expense	<u>\$ 1,990,566</u>

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NOTE 11 - LONG-TERM OBLIGATIONS

During the fiscal year 2019, the following changes occurred in governmental activities long-term obligations.

	Balance 6/30/18	Increase	Decrease	Balance 06/30/19	Amount Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2013 School Improvement Refunding Bonds					
Serial Bonds	\$ 8,175,000	\$ -	\$ (2,125,000)	\$ 6,050,000	\$ 2,165,000
2013 Energy Conservation Bonds					
Serial Bonds	450,000	-	(220,000)	230,000	230,000
Premium on Bonds	15,199	-	(10,729)	4,470	-
2018 School Improvement Bonds					
Serial Bonds	-	8,470,000	-	8,470,000	-
Term Bonds	-	35,500,000	-	35,500,000	-
Capital Appreciation Bonds	-	529,977	-	529,977	-
Accreted Interest	-	116,239	-	116,239	-
Premium on Bonds	-	7,134,164	(164,004)	6,970,160	-
Total General Obligation Bonds	<u>8,640,199</u>	<u>51,750,380</u>	<u>(2,519,733)</u>	<u>57,870,846</u>	<u>2,395,000</u>
Pension and OPEB Liabilities:					
Net Pension Liability	62,844,845	1,410,879	(3,454,789)	60,800,935	-
Net OPEB Liability	11,628,379	4,102,639	(7,886,614)	7,844,404	-
Total Pension and OPEB Liabilities	<u>74,473,224</u>	<u>5,513,518</u>	<u>(11,341,403)</u>	<u>68,645,339</u>	<u>-</u>
Other Long-Term Obligations:					
Capital Leases Payable	290,563	-	(67,414)	223,149	70,785
Compensated Absences Payable	5,311,775	590,195	(248,398)	5,653,572	381,967
Total Other Long-Term Obligations	<u>5,602,338</u>	<u>590,195</u>	<u>(315,812)</u>	<u>5,876,721</u>	<u>452,752</u>
Total Governmental Activities	<u>\$ 88,715,761</u>	<u>\$ 57,854,093</u>	<u>\$ (14,176,948)</u>	<u>\$ 132,392,906</u>	<u>\$ 2,847,752</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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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, 2019, the outstanding amount of the refunded Series 2006 high school bonds is \$6,810,000.

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.

Series 2018 Improvement Bonds

On September 11, 2018, the District issued \$43,970,000 of Series 2018 School Improvement bonds and \$529,977 of capital appreciation bonds for the purpose of constructing, furnishing, equipping and otherwise improving a new elementary school. The interest rates on the school improvement bonds range from 2.00% - 5.25%. The capital appreciation bonds mature on December 1, 2022, 2023, 2024, 2025, 2026, 2027, 2028, and 2029 (each with an effective interest rate 29.924%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds are \$370,000, \$405,000, \$445,000, \$560,000, \$565,000, \$575,000, \$635,000, \$660,000, and \$55,000, respectively. Total accreted interest of \$116,239 has been included in the statement of net position at June 30, 2019.

The general obligation bonds were issued for the purpose of constructing a new elementary school building. As of June 30, 2019, the District had \$43,383,453 of unspent bond proceeds on the bond issue.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2055. The bonds will be retired from the bond retirement fund.

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NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2019 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Accretion	Total
2020	\$ 2,395,000	\$ 2,347,825	\$ 4,742,825	\$ -	\$ -	\$ -
2021	2,205,000	2,303,115	4,508,115	-	-	-
2022	1,690,000	2,261,079	3,951,079	-	-	-
2023	-	2,241,500	2,241,500	113,986	256,014	370,000
2024	-	2,241,500	2,241,500	94,405	310,595	405,000
2025 - 2029	-	11,207,500	11,207,500	290,898	2,489,102	2,780,000
2030 - 2034	3,010,000	10,925,250	13,935,250	30,688	684,312	715,000
2035 - 2039	5,450,000	9,812,500	15,262,500	-	-	-
2040 - 2044	7,625,000	8,191,875	15,816,875	-	-	-
2045 - 2049	10,475,000	5,940,625	16,415,625	-	-	-
2050 - 2054	14,125,000	2,792,345	16,917,345	-	-	-
2055	3,275,000	85,969	3,360,969	-	-	-
Total	\$ 50,250,000	\$ 60,351,083	\$ 110,601,083	\$ 529,977	\$ 3,740,023	\$ 4,270,000

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, 2019, are a voted debt margin of \$61,016,609, including available funds of \$9,921,702, and an unvoted debt margin of \$1,131,943.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	670,968
Current year offsets	<u>(670,968)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<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 2019, 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 2019:

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

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.

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NOTE 13 - RISK MANAGEMENT - (Continued)

B. Employee Health Benefits

For fiscal year 2019, 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 \$550.23 for single coverage and \$1,169.25 for family coverage for full-time employees. The District's portion of the monthly prescription drug insurance premium is \$163.96 for single coverage and \$348.39 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

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. During fiscal year 2019, the District was enrolled in a Group Retrospective rating program offered by the Ohio Bureau of Worker's Compensation and administered by KKSG & 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, 2019, 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.

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 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 as an *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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.

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

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	Age 65 with 5 years of services credit; or 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; or 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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,132,502 for fiscal year 2019. Of this amount, \$66,334 is reported as an intergovernmental payable.

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.

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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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% 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 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% 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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,251,333 for fiscal year 2019. Of this amount, \$474,950 is reported as an intergovernmental payable.

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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2018, 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	0.24815850%	0.20213635%	
Proportion of the net pension liability current measurement date	<u>0.28352150%</u>	<u>0.20267251%</u>	
Change in proportionate share	<u>0.03536300%</u>	<u>0.00053616%</u>	
Proportionate share of the net pension liability	\$ 16,237,801	\$ 44,563,134	\$ 60,800,935
Pension expense	\$ 1,571,265	\$ 3,012,431	\$ 4,583,696

At June 30, 2019, 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	\$ 890,542	\$ 1,028,652	\$ 1,919,194
Changes of assumptions	366,686	7,897,428	8,264,114
Difference between District contributions and proportionate share of contributions/change in proportionate share	1,074,742	11,518	1,086,260
District contributions subsequent to the measurement date	<u>1,132,502</u>	<u>3,251,333</u>	<u>4,383,835</u>
Total deferred outflows of resources	<u>\$ 3,464,472</u>	<u>\$ 12,188,931</u>	<u>\$ 15,653,403</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	\$ -	\$ 291,024	\$ 291,024
Net difference between projected and actual earnings on pension plan investments	449,901	2,702,261	3,152,162
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>249,168</u>	<u>2,285,177</u>	<u>2,534,345</u>
Total deferred inflows of resources	<u>\$ 699,069</u>	<u>\$ 5,278,462</u>	<u>\$ 5,977,531</u>

\$4,383,835 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, 2020.

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:			
2020	\$ 1,698,322	\$ 2,553,631	\$ 4,251,953
2021	605,437	1,771,159	2,376,596
2022	(532,879)	(90,415)	(623,294)
2023	<u>(137,980)</u>	<u>(575,238)</u>	<u>(713,218)</u>
Total	<u>\$ 1,632,900</u>	<u>\$ 3,659,137</u>	<u>\$ 5,292,037</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, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, 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% of male rates, and 110% of female rates. Mortality among disabled members was based upon the 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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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%. 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%). 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%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 22,872,168	\$ 16,237,801	\$ 10,675,329

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation is presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 65,078,591	\$ 44,563,134	\$ 27,199,583

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NOTE 16 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset 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/asset 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/asset 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/asset. Resulting adjustments to the net OPEB liability/asset 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* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included as an *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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.

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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% 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 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$142,077.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$184,022 for fiscal year 2019. Of this amount, \$144,534 is reported as an 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.

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% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset 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	0.25120810%	0.20213635%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.28275560%</u>	<u>0.20267251%</u>	
Change in proportionate share	<u>0.03154750%</u>	<u>0.00053616%</u>	
Proportionate share of the net OPEB liability	\$ 7,844,404	\$ -	\$ 7,844,404
Proportionate share of the net OPEB asset	\$ -	\$ (3,256,740)	\$ (3,256,740)
OPEB expense	\$ 3,485,595	\$ (7,106,607)	\$ (3,621,012)

At June 30, 2019, 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	\$ 128,048	\$ 380,392	\$ 508,440
Difference between District contributions and proportionate share of contributions/ change in proportionate share	690,144	19,107	709,251
District contributions subsequent to the measurement date	<u>184,022</u>	<u>-</u>	<u>184,022</u>
Total deferred outflows of resources	<u>\$ 1,002,214</u>	<u>\$ 399,499</u>	<u>\$ 1,401,713</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			
Differences between expected and actual experience	\$ -	\$ 189,748	\$ 189,748
Net difference between projected and actual earnings on pension plan investments	11,769	372,054	383,823
Changes of assumptions	704,761	4,437,568	5,142,329
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>51,423</u>	<u>230,021</u>	<u>281,444</u>
Total deferred inflows of resources	<u>\$ 767,953</u>	<u>\$ 5,229,391</u>	<u>\$ 5,997,344</u>

\$184,022 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/asset in the year ending June 30, 2020. 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:			
2020	\$ (188,473)	\$ (869,792)	\$ (1,058,265)
2021	(118,844)	(869,792)	(988,636)
2022	101,652	(869,790)	(768,138)
2023	106,661	(785,295)	(678,634)
2024	105,846	(755,659)	(649,813)
Thereafter	<u>43,397</u>	<u>(679,564)</u>	<u>(636,167)</u>
Total	<u>\$ 50,239</u>	<u>\$ (4,829,892)</u>	<u>\$ (4,779,653)</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, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% 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%, 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 Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. 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 (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 9,518,568	\$ 7,844,404	\$ 6,518,780

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NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 6,328,995	\$ 7,844,404	\$ 9,851,078

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate
	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
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.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% 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 projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 2,791,331	\$ 3,256,740	\$ 3,647,894
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 3,625,813	\$ 3,256,740	\$ 2,881,918

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 American United Life Insurance Company through the Ohio Schools Counsel.

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, 2019
(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, 2019
(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 \$141,513 to Connect during fiscal year 2019. 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 2019. 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 247 school districts, educational service centers, joint vocational districts, and Developmental Disabilities boards in 34 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 2019, the District paid \$32,468 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)

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 256 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, 2019 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	\$ 101,196

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, 2019 are reported on the statement of net position.

- B. Interfund transfers for the year ended June 30, 2019, consisted of the following, as reported on the fund financial statements:

<u>Transfer from general fund to:</u>	<u>Amount</u>
Bond retirement fund	\$ 230,200
Building fund	25,000
Nonmajor governmental funds	<u>33,000</u>
Total	<u>\$ 288,200</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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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 2019, the District's property tax revenues have been reduced by \$23,500 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.

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 SIX FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.28352150%	0.24815850%	0.25169350%	0.26081240%
District's proportionate share of the net pension liability	\$ 16,237,801	\$ 14,826,922	\$ 18,421,642	\$ 14,882,208
District's covered payroll	\$ 8,059,985	\$ 7,942,350	\$ 7,785,229	\$ 7,851,813
District's proportionate share of the net pension liability as a percentage of its covered payroll	201.46%	186.68%	236.62%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

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

<u>2015</u>	<u>2014</u>
0.27435900%	0.27435900%
\$ 13,885,153	\$ 16,315,249
\$ 7,972,338	\$ 7,959,704
174.17%	204.97%
71.70%	65.52%

**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 SIX FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.20267251%	0.20213635%	0.20815781%	0.21498607%
District's proportionate share of the net pension liability	\$ 44,563,134	\$ 48,017,923	\$ 69,676,694	\$ 59,415,861
District's covered payroll	\$ 23,045,000	\$ 22,294,243	\$ 22,404,614	\$ 22,802,700
District's proportionate share of the net pension liability as a percentage of its covered payroll	193.37%	215.38%	310.99%	260.57%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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

<u>2015</u>	<u>2014</u>
0.22338560%	0.22338560%
\$ 54,335,109	\$ 64,723,626
\$ 22,823,838	\$ 23,887,869
238.06%	270.95%
74.70%	69.30%

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,132,502	\$ 1,088,098	\$ 1,111,929	\$ 1,089,932
Contributions in relation to the contractually required contribution	<u>(1,132,502)</u>	<u>(1,088,098)</u>	<u>(1,111,929)</u>	<u>(1,089,932)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,388,904	\$ 8,059,985	\$ 7,942,350	\$ 7,785,229
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,034,869	\$ 1,104,966	\$ 1,101,623	\$ 1,051,389	\$ 886,635	\$ 1,115,693
<u>(1,034,869)</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,851,813	\$ 7,972,338	\$ 7,959,704	\$ 7,817,019	\$ 7,053,580	\$ 8,239,978
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,251,333	\$ 3,226,300	\$ 3,121,194	\$ 3,136,646
Contributions in relation to the contractually required contribution	<u>(3,251,333)</u>	<u>(3,226,300)</u>	<u>(3,121,194)</u>	<u>(3,136,646)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,223,807	\$ 23,045,000	\$ 22,294,243	\$ 22,404,614
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 3,192,378	\$ 2,967,099	\$ 3,105,423	\$ 3,130,653	\$ 3,194,760	\$ 3,226,455
<u>(3,192,378)</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,802,700	\$ 22,823,838	\$ 23,887,869	\$ 24,081,946	\$ 24,575,077	\$ 24,818,885
14.00%	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 THREE FISCAL YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.28275560%	0.25120810%	0.25403603%
District's proportionate share of the net OPEB liability	\$ 7,844,404	\$ 3,741,765	\$ 7,240,967
District's covered payroll	\$ 8,059,985	\$ 7,942,350	\$ 7,785,229
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	97.33%	47.11%	93.01%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	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/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.20267251%	0.20213635%	0.20815781%
District's proportionate share of the net OPEB liability/asset	\$ (3,256,740)	\$ 7,886,614	\$ 11,132,334
District's covered payroll	\$ 23,045,000	\$ 22,294,243	\$ 22,404,614
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.13%	35.38%	49.69%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 184,022	\$ 171,397	\$ 134,068	\$ 124,134
Contributions in relation to the contractually required contribution	<u>(184,022)</u>	<u>(171,397)</u>	<u>(134,068)</u>	<u>(124,134)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,388,904	\$ 8,059,985	\$ 7,942,350	\$ 7,785,229
Contributions as a percentage of covered payroll	2.19%	2.13%	1.69%	1.59%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 198,576	\$ 134,484	\$ 146,940	\$ 166,046	\$ 241,938	\$ 202,703
<u>(198,576)</u>	<u>(134,484)</u>	<u>(146,940)</u>	<u>(166,046)</u>	<u>(241,938)</u>	<u>(202,703)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,851,813	\$ 7,972,338	\$ 7,959,704	\$ 7,817,019	\$ 7,053,580	\$ 8,239,978
2.53%	1.69%	1.85%	2.12%	3.43%	2.46%

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,223,807	\$ 23,045,000	\$ 22,294,243	\$ 22,404,614
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 235,945	\$ 235,357	\$ 235,316	\$ 239,580	\$ 248,189
-	(235,945)	(235,357)	(235,316)	(239,580)	(248,189)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,802,700	\$ 22,823,838	\$ 23,887,869	\$ 24,081,946	\$ 24,575,077	\$ 24,818,885
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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 changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

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 years 2018-2019.

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. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

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. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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 previously reported for fiscal years 2017-2019.

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 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously 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. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.