

Brecksville-Broadview Heights
City School District
Cuyahoga County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARepor@ohioauditor.gov
(800) 282-0370

Board of Education
Brecksville-Broadview Heights City School District
6638 Mill Road
Brecksville, Ohio 44141

We have reviewed the *Independent Auditor's Report* of the Brecksville-Broadview Heights City School District, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Brecksville-Broadview Heights City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 15, 2020

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Cuyahoga County, Ohio
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Cuyahoga County, Ohio
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December 18, 2019

To the Board of Education and Management
Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
6638 Mill Rd.
Brecksville, OH 44141

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio, (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of the District's Proportionate Share of the Net Pension Liability, the Schedules of District Pension Contributions, the Schedules of the District's Proportionate Share of the Net OPEB Liability/Asset, and the Schedules of District OPEB Contributions, as listed in the table of contents, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hea & Associates, Inc.
Medina, Ohio

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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 and sales, capital grants and contributions 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
(UNAUDITED)

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 20-21 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 15. 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 22 - 26 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
(UNAUDITED)**

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 27. 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 28 - 73.

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 asset/liability. The required supplementary information can be found on pages 75 - 90 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
(UNAUDITED)

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.

| | <u>Net Position - Governmental Activities</u> | |
|--|---|------------------------|
| | <u>2019</u> | <u>2018</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 122,987,376 | \$ 70,008,260 |
| Net OPEB asset | 3,256,740 | - |
| Capital assets, net | <u>25,734,576</u> | <u>26,039,518</u> |
| Total assets | <u>151,978,692</u> | <u>96,047,778</u> |
| <u>Deferred outflows of resources</u> | | |
| Unamortized deferred charges | 247,150 | 362,004 |
| Pension | 15,653,403 | 18,075,479 |
| OPEB | <u>1,401,713</u> | <u>626,662</u> |
| Total deferred outflows | <u>17,302,266</u> | <u>19,064,145</u> |
| <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 | <u>60,899,815</u> | <u>11,650,478</u> |
| Total liabilities | <u>138,999,074</u> | <u>94,672,422</u> |
| <u>Deferred inflows of resources</u> | | |
| Property taxes | 36,757,154 | 38,154,003 |
| Pensions | 5,977,531 | 6,155,836 |
| OPEB | <u>5,997,344</u> | <u>1,986,612</u> |
| Total deferred inflows | <u>48,732,029</u> | <u>46,296,451</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 18,311,321 | 17,443,657 |
| Restricted | 6,505,810 | 7,292,029 |
| Unrestricted (deficit) | <u>(43,267,276)</u> | <u>(50,592,636)</u> |
| Total net position (deficit) | <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
(UNAUDITED)

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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.

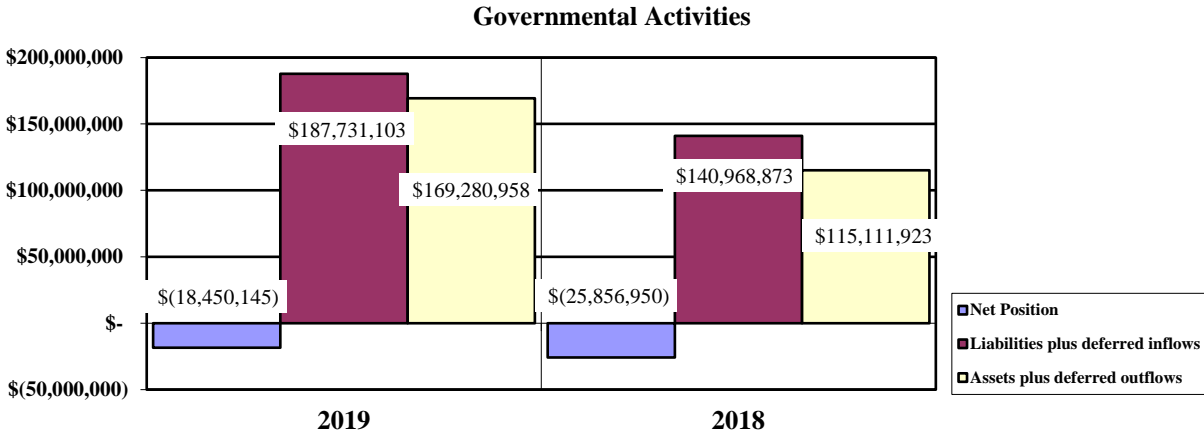
At year-end, capital assets represented 16.93% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and textbooks. The net investment in capital assets at June 30, 2019, was \$18,311,321. These capital assets are used to 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
(UNAUDITED)**

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
(UNAUDITED)

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

| | Change in Net Position - Governmental Activities | |
|--|--|-----------------|
| <u>Revenues</u> | 2019 | 2018 |
| 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 | 62,888,371 | 58,712,986 |
| <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 | 55,481,566 | 24,134,647 |
| Change in net position | 7,406,805 | 34,578,339 |
| Net position at beginning of year | (25,856,950) | (60,435,289) |
| Net position at end of year | \$ (18,450,145) | \$ (25,856,950) |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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.

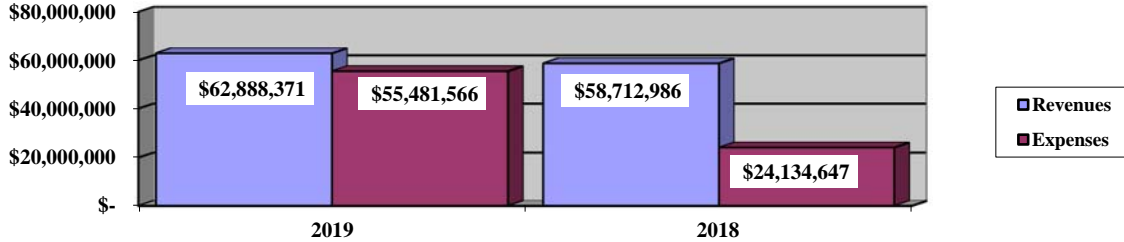
Interest expenses increased \$2,162,723 due to the District issuing \$44,499,977 in Series 2018 School Improvement Bonds during fiscal year 2019.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

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 68/75 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 | \$ 55,481,566 | \$ 49,127,874 | \$ 24,134,647 | \$ 17,897,997 |

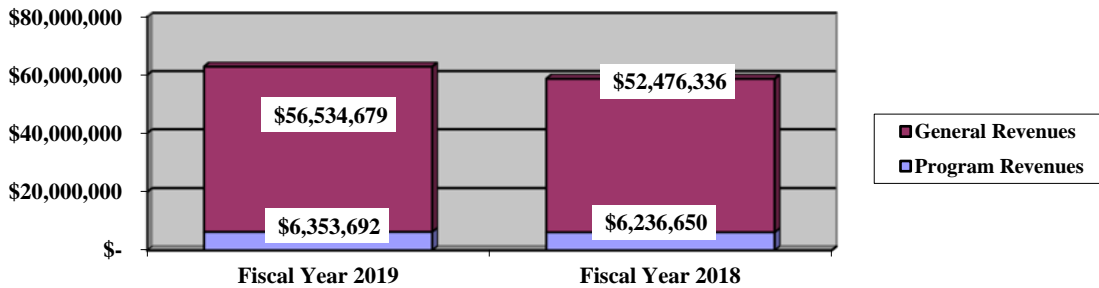
**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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 22) 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.

| | <u>Fund Balance June 30, 2019</u> | <u>Fund Balance June 30, 2018</u> | <u>Increase (Decrease)</u> | <u>Percentage 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
(UNAUDITED)

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
(UNAUDITED)

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
(UNAUDITED)

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 |

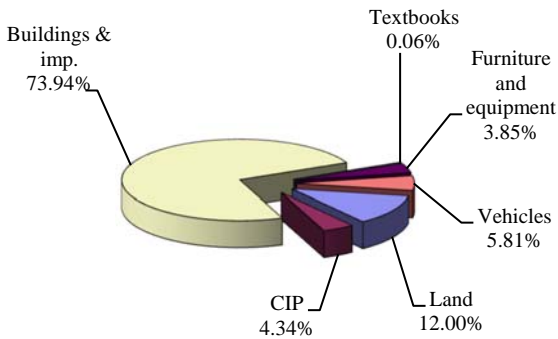
Total additions to governmental activities capital assets for 2019 were \$1,685,624. Governmental activities depreciation expense for fiscal year 2019 was \$1,990,566. There were no disposals of capital assets in fiscal year 2019. Overall, governmental activities capital assets of the District decreased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

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

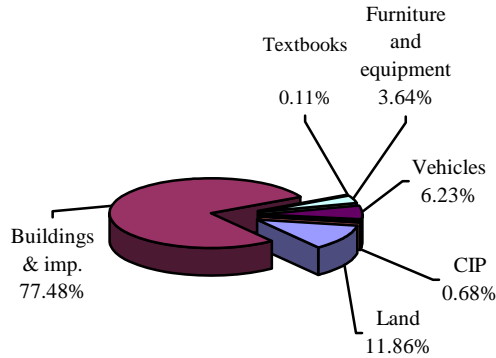
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

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
(UNAUDITED)

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

| | 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

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-----------------------------------|---------------------------------------|-------------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | |
| 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: | | | | | |
| | | | | | 40,760,345 |
| | | | | | 2,344,131 |
| | | | | | 1,610,238 |
| | | | | | 80,822 |
| | | | | | 9,777,974 |
| | | | | | 1,953,275 |
| | | | | | 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

| | <u>General</u> | <u>Bond Retirement</u> | <u>Building</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|----------------------------|----------------------|--|---|
| 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

| | | | |
|--|----|--------------|---------------------|
| 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. | | | |
| Delinquent 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

| | <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

| | | |
|---|--------------|------------------|
| 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

| | <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

| | 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**

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

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

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

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

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

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

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

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

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.

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

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

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.

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

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

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.

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

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

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.

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

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

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.

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

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

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.

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

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

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> |

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

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

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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CUYAHOGA COUNTY, OHIO**

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

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);

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 |

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

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

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:

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

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 |
| <u>Operation of non-instructional services:</u> | |
| 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> |

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

**BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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.

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

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

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. Additional ODE adjustments for fiscal year 2019 have been finalized. The District owes ODE \$16,202 as a result of additional FTE adjustments determined by ODE.

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

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

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.

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

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

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.

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

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

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.

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

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

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> |

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

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

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.

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

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

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> | |

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

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

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.

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

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

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 |

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

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

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.

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

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

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.

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

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

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> |

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

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

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.

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

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

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.

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

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

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 |

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

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

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
CUYAHOGA COUNTY, OHIO**

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

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

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**

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**

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

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**

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

| | <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

| | <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

| | <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

| | <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

| | <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

| | <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

| | <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

| | <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

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

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.

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December 18, 2019

To the Board of Education and Management
Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
6638 Mill Rd.
Brecksville, OH 44141

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.
Medina, Ohio

December 18, 2019

To Board of Education and Management
Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
6638 Mill Rd.
Brecksville, OH 44141

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited the Brecksville-Broadview Heights City School District's, Cuyahoga County, Ohio (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hea & Associates, Inc.

Medina, Ohio

Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

| Federal Grantor/ Pass Through Grantor/ Program Title | CFDA Number | Grant Year | Federal Disbursements | Passed Through to Subrecipients |
|--|----------------|---------------|--------------------------|------------------------------------|
| U. S. Department of Education | | | | |
| (Passed Through Ohio Department of Education): | | | | |
| Title I Grants to Local Education Agencies | 84.010 | 2019 | \$ 272,275 | \$ 0 |
| <i>Special Education Cluster:</i> | | | | |
| Special Education - Grants to States | 84.027 | 2018 | 64,462 | 0 |
| Special Education - Grants to States | 84.027 | 2019 | 654,778 | 0 |
| Total Special Education - Grants to States | | | 719,240 | 0 |
| Special Education - Preschool Grants | 84.173 | 2019 | 20,380 | 0 |
| Total Special Education Cluster | | | 739,620 | 0 |
| Title II-A Improving Teacher Quality | 84.367 | 2019 | 47,925 | 0 |
| Title III English Language Acquisition Grant | 84.365 | 2018 | 18,462 | 0 |
| Title III English Language Acquisition Grant | 84.365 | 2019 | 2,848 | 0 |
| Total Title III Grants | | | 21,310 | 0 |
| Title IV-A | 84.424 | 2019 | 26,634 | 0 |
| Total U.S. Department of Education | | | 1,107,764 | 0 |
| U. S. Department of Agriculture | | | | |
| (Passed Through Ohio Department of Education): | | | | |
| <i>Child Nutrition Cluster:</i> | | | | |
| Non-Cash Assistance (Food Distribution): | | | | |
| School Breakfast Program | 10.553 | 2019 | 4,022 | 0 |
| National School Lunch Program | 10.555 | 2019 | 70,729 | 0 |
| Non-Cash Assistance Subtotal: | | | 74,751 | 0 |
| Cash Assistance: | | | | |
| School Breakfast Program | 10.553 | 2019 | 9,413 | 0 |
| National School Lunch Program | 10.555 | 2019 | 165,556 | 0 |
| Cash Assistance Subtotal: | | | 174,969 | 0 |
| Total Child Nutrition Cluster | | | 249,720 | 0 |
| Total U.S. Department of Agriculture | | | 249,720 | 0 |
| U. S. Department of Health and Human Services | | | | |
| Direct: | | | | |
| Drug-Free Communities Support Program Grants | 93.276 | 2018 | 75,729 | 0 |
| Drug-Free Communities Support Program Grants | 93.276 | 2019 | 73,252 | 0 |
| Total Drug-Free Communities Support Program Grants | | | 148,981 | 0 |
| Total U.S. Department of Health and Human Services | | | 148,981 | 0 |
| Total Federal Assistance | | | \$ 1,506,465 | \$ 0 |

See accompanying notes to schedule of expenditures of federal awards.

Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Brecksville-Broadview Heights City School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in *Uniform Guidance*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | None Reported |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material weaknesses in internal control reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | None Reported |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): Special Education Cluster: Special-Education – Grants to States Special Education – Preschool Grants | CFDA #84.027 CFDA #84.173 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$750,000 Type B: All Others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR §200.520? | Yes |

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

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OHIO AUDITOR OF STATE KEITH FABER



BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 28, 2020**