



**Bedford City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The discussion and analysis of the Bedford City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements as well as the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- The School District provided educational services to 3,188 students during fiscal year 2016. This is a decrease from the prior fiscal year.
- Outstanding debt obligations for the School District decreased from the prior fiscal year due to an additional year of debt obligation payments.
- Capital assets in the School District are being carried with a relatively old physical plant and bus fleet. The buildings of the School District are well maintained and in good repair. The School District consistently makes improvements when and where needed in order to ensure sustainability.
- Capital assets decreased from the prior year due to an additional year of depreciation outpacing current year additions. Capital asset additions included a new scoreboard at the high school football stadium, a total refurbishing of the Heskett running track, five new busses and several musical instruments, among other items.
- The School District had higher expenses than in the previous fiscal year, primarily due to an increase in instructional expenses as staff moves through the step scales, raises and increases in healthcare.

### **Using This Comprehensive Annual Financial Report ("CAFR")**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, and are organized so the reader can understand the Bedford City School District as a financial whole, an entire operating entity. The 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Bedford City School District, the general fund is the most significant fund.

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**Reporting on the District as a Whole (District-wide)**

*Statement of Net Position and the Statement of Activities*

The analysis of the School District as a whole begins on page 6. The view of the School District as a whole looks at all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why" or "Why not". The Statement of Net Position and the Statement of Activities provide the basis for answering these questions. The statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The Statement of Net Position and the Statement of Activities is represented in one type of activity; Governmental Activities. The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities as well as food service operations.

**Reporting the School District's Most Significant Funds (Fund Financials)**

The analysis of the School District's major fund begins on page 11. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, the fund financial statements focus on the School District's most significant fund. The School District's only major fund is the general fund.

***Governmental Funds*** - The School 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 School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements of the *Governmental Funds*.

***Proprietary Funds*** - Proprietary funds have historically operated as *enterprise* and *internal service funds* using the same basis of accounting as business-type activities. The internal service self insurance fund accounts for health insurance, prescription drugs and dental coverage and is reported as the School District's only proprietary fund.

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**The School District as a Whole**

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole, showing assets, liabilities, deferred outflows and inflows and the difference between them (net position). Table 1 provides a summary of the School District's governmental activities net position for fiscal year 2016 compared to fiscal year 2015:

**Table 1**  
 Net Position

	2016	2015	Change
<b>Assets</b>			
Current and Other Assets	\$52,395,211	\$52,514,492	(\$119,281)
Capital Assets, Net	19,156,214	19,969,156	(812,942)
<i>Total Assets</i>	<u>71,551,425</u>	<u>72,483,648</u>	<u>(932,223)</u>
<b>Deferred Outflows of Resources</b>	<u>6,785,488</u>	<u>4,375,944</u>	<u>2,409,544</u>
<b>Liabilities</b>			
Current and Other Liabilities	7,213,634	7,149,928	(63,706)
Long-Term Liabilities:			
Due Within One Year	1,778,598	1,659,652	(118,946)
Due in More than One Year			
Net Pension Liability	67,204,086	59,259,853	(7,944,233)
Other Amounts	3,746,188	4,184,776	438,588
<i>Total Liabilities</i>	<u>79,942,506</u>	<u>72,254,209</u>	<u>(7,688,297)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	20,675,884	23,204,072	2,528,188
Pension	4,501,467	10,644,449	6,142,982
<i>Total Deferred Inflows of Resources</i>	<u>25,177,351</u>	<u>33,848,521</u>	<u>8,671,170</u>
<b>Net Position</b>			
Net Investment in Capital Assets	16,989,154	18,124,171	(1,135,017)
Restricted:			
Capital Projects	357,564	155,448	202,116
Debt Service	26,481	13,714	12,767
Other Purposes	1,008,549	1,027,366	(18,817)
Unrestricted (Deficit)	<u>(45,164,692)</u>	<u>(48,563,837)</u>	<u>3,399,145</u>
<i>Total</i>	<u><u>(\$26,782,944)</u></u>	<u><u>(\$29,243,138)</u></u>	<u><u>\$2,460,194</u></u>

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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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

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

There was an increase in deferred outflows of resources and a decrease in deferred inflows of resources related to the net pension liability from the prior fiscal year. This resulted in an overall increase in net position for the School District. Total liabilities increased from prior fiscal year primarily due to an increase in the net pension liability which was slightly offset by a decrease outstanding debt due to continued pay down.

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Table 2 shows changes in governmental net position for fiscal years 2016 and 2015.

**Table 2**  
Changes in Net Position

	2016	2015	Change
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services and Sales	\$2,019,232	\$2,189,359	(\$170,127)
Operating Grants, Contributions and Interest	5,724,601	5,543,923	180,678
Capital Grants	81,738	124,050	(42,312)
<i>Total Program Revenues</i>	<u>7,825,571</u>	<u>7,857,332</u>	<u>(31,761)</u>
<i>General Revenue:</i>			
Property Taxes	32,602,918	32,480,330	122,588
Grants and Entitlements	15,460,746	14,514,981	945,765
Unrestricted Contributions	18,939	0	18,939
Investments	57,378	9,135	48,243
Miscellaneous	411,280	361,853	49,427
<i>Total General Revenues</i>	<u>48,551,261</u>	<u>47,366,299</u>	<u>1,184,962</u>
<b>Total Revenues</b>	<u>56,376,832</u>	<u>55,223,631</u>	<u>1,153,201</u>
<b>Program Expenses</b>			
Instruction	27,668,117	26,532,855	(1,135,262)
Support Services:			
Pupil	3,539,886	3,290,160	(249,726)
Instructional Staff	2,194,876	1,923,812	(271,064)
Board of Education	233,401	114,703	(118,698)
Administration	4,082,561	3,980,365	(102,196)
Fiscal	1,267,328	1,154,870	(112,458)
Business	1,188,043	1,008,331	(179,712)
Operation and Maintenance of Plant	6,728,627	6,875,154	146,527
Pupil Transportation	3,676,849	4,083,284	406,435
Central	117,921	112,684	(5,237)
Operation of Non-Instructional Services:			
Food Service Operations	1,989,601	1,842,879	(146,722)
Other Non-Instructional Services	68,140	54,194	(13,946)
Extracurricular Activities	1,087,548	1,084,015	(3,533)
Interest and Fiscal Charges	73,740	78,576	4,836
<i>Total Program Expenses</i>	<u>53,916,638</u>	<u>52,135,882</u>	<u>(1,780,756)</u>
<i>Net Change in Net Position</i>	2,460,194	3,087,749	(627,555)
<i>Net Position Beginning of Year</i>	<u>(29,243,138)</u>	<u>(32,330,887)</u>	<u>3,087,749</u>
<i>Net Position End of Year</i>	<u>(\$26,782,944)</u>	<u>(\$29,243,138)</u>	<u>\$2,460,194</u>

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As can be seen from Table 2, the School District relies heavily upon property taxes and foundation monies to support its operations. The School District also receives additional grant and entitlement funds to help offset operating costs.

The nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the School District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00, annually. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills, and the School District would still receive \$35.00, annually.

The School District is heavily dependent on property taxes and is hampered by a lack of revenue growth. Thus, the School District must regularly return to the voters to maintain a constant level of service. Property taxes made up over half of total revenues in the School District for fiscal year 2016, followed by grants, entitlements and contributions and then charges for services, investments, unrestricted contributions and other revenue made up the remaining revenues.

General revenues increased from 2015. In 2016, the School District experienced increased levels of grant and entitlement revenues. The School District continues to seek out new grant monies available through various federal programs.

Program revenues slightly decreased from 2015 as a result of the School District collecting decreased amounts of tuition due to a change in collection timelines and a slight decrease in enrollment.

Instructional expenses account for the largest portion of total program expenses. The increase in program expenses is primarily due to an increase in instructional expenses as staff moves through the step scales, raises and increases in healthcare. Building maintenance and pupil transportation cost made up the second largest portion of current year expenses, while board of education, administrative, fiscal and business costs made up the remaining amount. These expenses account primarily for employee costs of salaries and health benefits.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of service and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.



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**Table 3**  
 Net Cost of Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Instruction	\$27,668,117	\$23,592,666	\$26,532,855	\$22,556,034
Support Services:				
Pupil	3,539,886	2,864,968	3,290,160	2,612,128
Instructional Staff	2,194,876	1,707,642	1,923,812	1,300,310
Board of Education	233,401	233,401	114,703	114,703
Administration	4,082,561	3,946,503	3,980,365	3,823,201
Fiscal	1,267,328	1,267,328	1,154,870	1,154,870
Business	1,188,043	1,111,362	1,008,331	926,781
Operation and Maintenance of Plant	6,728,627	6,645,078	6,875,154	6,744,406
Pupil Transportation	3,676,849	3,676,849	4,083,284	4,083,284
Central	117,921	116,604	112,684	108,457
Operation of Non-Instructional Services:				
Food Service Operations	1,989,601	(58)	1,842,879	(104,832)
Other Non-Instructional Services	68,140	35,488	54,194	39,565
Extracurricular Activities	1,087,548	819,496	1,084,015	841,067
Interest and Fiscal Charges	73,740	73,740	78,576	78,576
<i>Total</i>	<u>\$53,916,638</u>	<u>\$46,091,067</u>	<u>\$52,135,882</u>	<u>\$44,278,550</u>

The dependence on tax revenues and State subsidies for governmental activities is apparent. The majority of instructional activities are supported through taxes and other general revenues.

**The School District's Funds**

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$56,398,395 and expenditures of \$53,760,179. The increase in fund balance for the general fund was primarily due to increases in tax and intergovernmental revenues which was offset by increases in regular instruction, instructional staff and business expenses. The School District continues to seek out additional sources of funding. The decrease in fund balance for all other governmental funds was primarily due to expenditures exceeding revenues and other financing sources during fiscal year 2016.

***General Fund Budgeting Highlights***

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

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During the course of fiscal year 2016, the School District amended its general fund budget several times, but no change was significant. The general fund final budget revenue amount is higher than the original budget amount. The increase was due to the greater than anticipated collection of tax and intergovernmental revenues. Actual revenues are higher than the final budget amount due in large part to greater tax, intergovernmental and tuition and fee revenues than anticipated. Actual expenditures are less than the final budget amount. The School District made a conscious effort to keep expenditures below budgeted amounts. Savings were the greatest in regular instruction, operation and maintenance of plant, fiscal, and administration from management taking cost cutting measures. The School District ended the fiscal year with an unencumbered fund balance of \$12,934,328, an increase from fiscal year 2015 and higher than what was estimated.

The School District uses a modified site-based budget technique which is designed to tightly control site budgets while providing flexibility for site management. The School District prepares and monitors a detailed cashflow plan for the general fund annually. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

**Capital Assets and Debt Obligations**

*Capital Assets*

At the end of fiscal year 2016, the School District had, at cost, \$56,170,324 invested in land, buildings and improvements, furniture and equipment, and vehicles. That total carries an accumulated depreciation of \$37,014,110. Table 4 shows fiscal year 2016 balances compared to fiscal year 2015.

**Table 4**  
 Capital Assets at June 30  
 Governmental Activities

	2016	2015
Land	\$1,525,500	\$1,525,500
Construction in Progress	0	253,631
Buildings and Improvements	13,673,998	14,127,545
Furniture and Equipment	1,942,588	2,102,231
Vehicles	2,014,128	1,960,249
	\$19,156,214	\$19,969,156

In November of 2010, voters in the School District approved the renewal of a continuing one mill permanent improvement levy. This levy generates approximately \$475,000 a year, and coupled with reimbursements for lost levy proceeds in the amount of \$42,230, provides funds which are used exclusively for capital purchases. These funds are currently being used to finance several construction projects in 2016. The School District carries a relatively old physical plant and bus fleet. The buildings of the School District are well maintained and in good repair. In addition, approximately \$208,000 is transferred to the Capital Replacement Fund to be used for technology and furniture in the schools. For additional information on capital assets, see Note 10 of the notes to the basic financial statements.

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***Debt***

At June 30, 2016, the School District had \$1,480,333 in outstanding debt, \$328,723 of which was due within one year. Table 5 summarizes the outstanding debt for fiscal year 2016 compared with fiscal year 2015.

**Table 5**  
**Outstanding Debt Obligations at June 30**  
**Governmental Activities**

	2016	2015
2012 Radio Equipment Acquisition Bonds	\$68,634	\$137,290
2006 Energy Conservation Improvement Bonds	1,411,699	1,661,531
Capital Leases	0	46,164
Totals	\$1,480,333	\$1,844,985

During 2012, the School District issued radio equipment acquisition bonds having an original face value of \$274,578, for the purpose of purchasing radio equipment to be used in the schools. These bonds will be paid from the general fund.

During 2011, the School District entered into a network upgrade lease and a Dell computer lease (retired in 2013). These were paid from the capital replacement fund. The network upgrade lease was retired in 2016.

The School District's overall debt margin was \$58,218,015 with an unvoted debt margin of \$593,910. For additional information on long-term obligations, see Note 19 of the notes to the basic financial statements.

***Current Financial Related Activities***

As the preceding information shows, the School District is heavily dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, the School District must continue to monitor its revenues and expenses to ensure the public's confidence and support.

***School Funding***

The State funding formula for K-12 education in Ohio has changed several times in recent years. The current formula utilizes a different weighting formula taking into account both property and income wealth of school districts. The formula results in a large increase in State funding for the School District, however the State of Ohio is unable to fund the formula as designed. Therefore, the School District received a small increase over the previous years' funding. Changes continue to be made to the formula for reimbursing the School District for losses suffered due to the elimination of the Tangible Personal Property Tax. As a result the School District has experienced a measured decline in this source of funding. Consequently, all of the School District's financial abilities will be called upon to meet the challenges the future will bring. The School District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the future needs of its students.

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The Bedford City School District has committed itself to the highest standards of financial excellence for many years. The School District has received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting each year since 1997.

**Contacting the School 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 the Treasurer of Bedford City School District, 475 Northfield Road, Bedford, OH 44146.

**Bedford City School District***Statement of Net Position**June 30, 2016*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$18,278,438
Accounts Receivable	8,477
Intergovernmental Receivable	801,078
Inventory Held for Resale	25,127
Materials and Supplies Inventory	433,776
Taxes Receivable	32,848,315
Nondepreciable Capital Assets	1,525,500
Depreciable Capital Assets	<u>17,630,714</u>
<i>Total Assets</i>	<u>71,551,425</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>6,785,488</u>
<b>Liabilities</b>	
Accounts Payable	763,670
Contracts Payable	1,259
Accrued Wages and Benefits Payable	4,219,584
Intergovernmental Payable	1,142,379
Notes Payable	686,727
Matured Compensated Absences Payable	127,529
Accrued Interest Payable	43,186
Claims Payable	229,300
Long-Term Liabilities:	
Due Within One Year	1,778,598
Due in More Than One Year:	
Net Pension Liability (See Note 14)	67,204,086
Other Amounts	<u>3,746,188</u>
<i>Total Liabilities</i>	<u>79,942,506</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	20,675,884
Pension	<u>4,501,467</u>
<i>Total Deferred Inflows of Resources</i>	<u>25,177,351</u>
<b>Net Position</b>	
Net Investment in Capital Assets	16,989,154
Restricted for:	
Capital Projects	357,564
Debt Service	26,481
Food Service	878,536
Athletic Facilities	31,838
Other Purposes	98,175
Unrestricted (Deficit)	<u>(45,164,692)</u>
<i>Total Net Position</i>	<u><u>(\$26,782,944)</u></u>

See accompanying notes to the basic financial statements

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*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$20,512,237	\$1,166,244	\$88,702	\$0	(\$19,257,291)
Special	6,430,179	0	2,545,813	0	(3,884,366)
Vocational	708,120	0	274,692	0	(433,428)
Student Intervention Services	17,581	0	0	0	(17,581)
Support Services:					
Pupil	3,539,886	0	674,918	0	(2,864,968)
Instructional Staff	2,194,876	0	487,234	0	(1,707,642)
Board of Education	233,401	0	0	0	(233,401)
Administration	4,082,561	0	136,058	0	(3,946,503)
Fiscal	1,267,328	0	0	0	(1,267,328)
Business	1,188,043	65,427	11,254	0	(1,111,362)
Operation and Maintenance of Plant	6,728,627	0	1,811	81,738	(6,645,078)
Pupil Transportation	3,676,849	0	0	0	(3,676,849)
Central	117,921	0	1,317	0	(116,604)
Operation of Non-Instructional Services:					
Food Service Operations	1,989,601	525,439	1,464,220	0	58
Other Non-Instructional Services	68,140	0	32,652	0	(35,488)
Extracurricular Activities	1,087,548	262,122	5,930	0	(819,496)
Interest and Fiscal Charges	73,740	0	0	0	(73,740)
<i>Total Governmental Activities</i>	<u>\$53,916,638</u>	<u>\$2,019,232</u>	<u>\$5,724,601</u>	<u>\$81,738</u>	<u>(46,091,067)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					32,309,032
Debt Service					6,867
Capital Outlay					287,019
Grants and Entitlements not Restricted to Specific Programs					15,460,746
Unrestricted Contributions					18,939
Investment Earnings					57,378
Miscellaneous					411,280
<i>Total General Revenues</i>					<u>48,551,261</u>
Change in Net Position					2,460,194
<i>Net Position Beginning of Year</i>					<u>(29,243,138)</u>
<i>Net Position End of Year</i>					<u>(\$26,782,944)</u>

See accompanying notes to the basic financial statements

**Bedford City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$15,203,054	\$2,626,048	\$17,829,102
Accounts Receivable	8,477	0	8,477
Intergovernmental Receivable	204,245	596,833	801,078
Inventory Held for Resale	0	25,127	25,127
Materials and Supplies Inventory	426,569	7,207	433,776
Interfund Receivable	1,152,000	0	1,152,000
Taxes Receivable	32,381,593	466,722	32,848,315
<i>Total Assets</i>	<u>\$49,375,938</u>	<u>\$3,721,937</u>	<u>\$53,097,875</u>
<b>Liabilities</b>			
Accounts Payable	\$635,086	\$128,584	\$763,670
Contracts Payable	0	1,259	1,259
Accrued Wages and Benefits Payable	3,980,005	239,579	4,219,584
Intergovernmental Payable	1,052,003	90,376	1,142,379
Accrued Interest Payable	694	451	1,145
Interfund Payable	0	1,152,000	1,152,000
Notes Payable	416,404	270,323	686,727
Matured Compensated Absences Payable	127,529	0	127,529
<i>Total Liabilities</i>	<u>6,211,721</u>	<u>1,882,572</u>	<u>8,094,293</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	20,383,016	292,868	20,675,884
Unavailable Revenue	4,204,443	565,782	4,770,225
<i>Total Deferred Inflows of Resources</i>	<u>24,587,459</u>	<u>858,650</u>	<u>25,446,109</u>
<b>Fund Balances</b>			
Nonspendable	426,569	7,207	433,776
Restricted	20,494	1,267,017	1,287,511
Committed	379,692	188,908	568,600
Assigned	1,269,145	0	1,269,145
Unassigned (Deficit)	16,480,858	(482,417)	15,998,441
<i>Total Fund Balances</i>	<u>18,576,758</u>	<u>980,715</u>	<u>19,557,473</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$49,375,938</u>	<u>\$3,721,937</u>	<u>\$53,097,875</u>

See accompanying notes to the basic financial statements

**Bedford City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2016*

<b>Total Governmental Funds Balances</b>		<b>\$19,557,473</b>
 <i>Amounts reported for governmental activities in 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.		19,156,214
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	4,104,924	
Intergovernmental	665,301	
Total	4,770,225	4,770,225
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(42,041)
The internal service funds are used by management to charge the costs of insurance and goods warehoused and distributed to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		220,036
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	6,785,488	
Deferred Inflows - Pension	(4,501,467)	
Net Pension Liability	(67,204,086)	
Total		(64,920,065)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(1,480,333)	
Compensated Absences	(4,044,453)	
Total	(5,524,786)	(5,524,786)
<i>Net Position of Governmental Activities</i>		<b>(\$26,782,944)</b>

See accompanying notes to the basic financial statements



**Bedford City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2016*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$32,668,859	\$302,417	\$32,971,276
Intergovernmental	17,562,054	3,340,697	20,902,751
Interest	57,378	4	57,382
Charges for Services	1,697	525,754	527,451
Tuition and Fees	1,166,244	0	1,166,244
Rentals	65,427	0	65,427
Extracurricular Activities	125,434	134,676	260,110
Contributions and Donations	18,939	17,535	36,474
Miscellaneous	265,127	146,153	411,280
<i>Total Revenues</i>	<u>51,931,159</u>	<u>4,467,236</u>	<u>56,398,395</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	19,875,833	88,034	19,963,867
Special	5,896,070	587,012	6,483,082
Vocational	557,882	139,931	697,813
Student Intervention Services	17,581	0	17,581
Support Services:			
Pupil	2,880,949	688,555	3,569,504
Instructional Staff	1,693,640	506,054	2,199,694
Board of Education	233,591	0	233,591
Administration	4,133,514	137,423	4,270,937
Fiscal	1,281,261	0	1,281,261
Business	1,008,682	11,000	1,019,682
Operation and Maintenance of Plant	6,129,324	1,770	6,131,094
Pupil Transportation	3,486,333	0	3,486,333
Central	106,753	1,284	108,037
Operation of Non-Instructional Services:			
Food Service Operations	0	1,987,550	1,987,550
Other Non-Instructional Services	0	28,132	28,132
Extracurricular Activities	715,383	256,505	971,888
Capital Outlay	4,511	861,727	866,238
Debt Service:			
Principal Retirement	318,488	46,164	364,652
Interest and Fiscal Charges	73,399	5,844	79,243
<i>Total Expenditures</i>	<u>48,413,194</u>	<u>5,346,985</u>	<u>53,760,179</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,517,965</u>	<u>(879,749)</u>	<u>2,638,216</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Capital Assets	33,000	0	33,000
Transfers In	0	485,875	485,875
Transfers Out	(485,875)	0	(485,875)
<i>Total Other Financing Sources (Uses)</i>	<u>(452,875)</u>	<u>485,875</u>	<u>33,000</u>
<i>Net Change in Fund Balances</i>	3,065,090	(393,874)	2,671,216
<i>Fund Balances Beginning of Year</i>	<u>15,511,668</u>	<u>1,374,589</u>	<u>16,886,257</u>
<i>Fund Balances End of Year</i>	<u>\$18,576,758</u>	<u>\$980,715</u>	<u>\$19,557,473</u>

See accompanying notes to the basic financial statements

**Bedford City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2016*

**Net Change in Fund Balances -Total Governmental Funds** \$2,671,216

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Asset Additions	878,803	
Current Year Depreciation	<u>(1,613,225)</u>	
Total		(734,422)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (78,520)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	(368,358)	
Grants	<u>346,795</u>	
Total		(21,563)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due. 5,503

Repayment of bond, loan and lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 364,652

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 3,920,316

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (3,312,023)

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. (45,010)

The internal service funds used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund are allocated among the governmental activities. (309,955)

*Change in Net Position of Governmental Activities* \$2,460,194

See accompanying notes to the basic financial statements

**Bedford City School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$29,405,356	\$30,870,045	\$30,914,770	\$44,725
Intergovernmental	15,891,612	16,388,549	17,497,800	1,109,251
Interest	8,000	48,000	57,378	9,378
Charges for Services	0	0	529	529
Tuition and Fees	1,370,600	1,115,600	1,150,151	34,551
Rentals	30,000	45,015	50,581	5,566
Miscellaneous	337,188	251,206	233,499	(17,707)
<i>Total Revenues</i>	<u>47,042,756</u>	<u>48,718,415</u>	<u>49,904,708</u>	<u>1,186,293</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	21,351,886	21,233,492	20,729,209	504,283
Special	5,977,481	6,029,945	5,939,162	90,783
Vocational	608,855	653,361	624,792	28,569
Student Intervention Services	0	183	183	0
Support Services:				
Pupil	3,004,389	3,000,362	2,897,853	102,509
Instructional Staff	1,777,525	1,778,006	1,689,465	88,541
Board of Education	336,498	334,146	272,671	61,475
Administration	4,606,484	4,645,723	4,326,581	319,142
Fiscal	1,692,851	1,695,261	1,456,583	238,678
Business	963,914	1,077,273	1,038,699	38,574
Operation and Maintenance of Plant	7,249,722	6,829,392	6,386,525	442,867
Pupil Transportation	4,084,940	4,158,379	4,009,120	149,259
Central	162,928	173,797	130,153	43,644
Extracurricular Activities	755,561	797,904	707,428	90,476
Capital Outlay	5,000	5,000	4,511	489
Debt Service:				
Principal Retirement	439,153	379,664	379,652	12
Interest and Fiscal Charges	75,563	70,792	70,791	1
<i>Total Expenditures</i>	<u>53,092,750</u>	<u>52,862,680</u>	<u>50,663,378</u>	<u>2,199,302</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(6,049,994)</u>	<u>(4,144,265)</u>	<u>(758,670)</u>	<u>3,385,595</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	2,000	2,000	33,000	31,000
Tax Anticipation Notes Issued	0	0	499,149	499,149
Advances In	1,492,000	1,306,000	1,306,000	0
Advances Out	(1,236,605)	(1,275,000)	(1,275,000)	0
Transfers Out	(299,200)	(490,875)	(490,875)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(41,805)</u>	<u>(457,875)</u>	<u>72,274</u>	<u>530,149</u>
<i>Net Change in Fund Balance</i>	<u>(6,091,799)</u>	<u>(4,602,140)</u>	<u>(686,396)</u>	<u>3,915,744</u>
<i>Fund Balance Beginning of Year</i>	11,496,273	11,496,273	11,496,273	0
Prior Year Encumbrances Appropriated	<u>2,124,451</u>	<u>2,124,451</u>	<u>2,124,451</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$7,528,925</u>	<u>\$9,018,584</u>	<u>\$12,934,328</u>	<u>\$3,915,744</u>

See accompanying notes to the basic financial statements

**Bedford City School District**

*Statement of Net Position*

*Internal Service Funds*

*June 30, 2016*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$449,336
<b>Liabilities</b>	
Claims Payable	<u>229,300</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$220,036</u></u>

See accompanying notes to the basic financial statements

**Bedford City School District**  
*Statement of Revenues, Expenses and  
Changes in Net Position  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2016*

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<b>Operating Revenues</b>	
Charges for Services	<u>\$4,915,328</u>
<b>Operating Expenses</b>	
Purchased Services	803,096
Claims	<u>4,422,187</u>
<i>Total Operating Expenses</i>	<u>5,225,283</u>
<i>Change in Net Position</i>	(309,955)
<i>Net Position Beginning of Year</i>	<u>529,991</u>
<i>Net Position End of Year</i>	<u><u>\$220,036</u></u>

See accompanying notes to the basic financial statements

**Bedford City School District**  
*Statement of Cash Flows*  
*Internal Service Funds*  
*For the Fiscal Year Ended June 30, 2016*

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**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from Interfund Services	\$4,915,328
Cash Payments for Purchased Services	(803,096)
Cash Payments for Claims	<u>(4,478,587)</u>

*Net Increase (Decrease) in Cash and Cash Equivalents* (366,355)

*Cash and Cash Equivalents Beginning of Year* 815,691

*Cash and Cash Equivalents End of Year* \$449,336

***Reconciliation of Operating Income (Loss) to Net  
Cash Provided by (Used for) Operating Activities***

Operating Income (Loss) (\$309,955)

*Adjustments*

Increase (Decrease) in Claims Payable (56,400)

*Net Cash Provided by (Used for) Operating Activities* (\$366,355)

See accompanying notes to the basic financial statements

**Bedford City School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2016*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$81,909	\$41,572
<b>Liabilities</b>		
Due to Students	0	\$41,572
<b>Net Position</b>		
Held in Trust for Scholarships	\$81,909	

See accompanying notes to the basic financial statements

**Bedford City School District**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2016*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$143
<b>Deductions</b>	
	<u>0</u>
<i>Change in Net Position</i>	143
<i>Net Position Beginning of Year</i>	<u>81,766</u>
<i>Net Position End of Year</i>	<u><u>\$81,909</u></u>

See accompanying notes to the basic financial statements



**Bedford City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 1 - Description of the School District and Reporting Entity**

Bedford City School District (the School District) is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The School District provides education to 3,188 students in grades K through 12. The School District also provides preschool education to 38 handicapped and 26 regular education students. The School District is located in northeast Ohio, covers approximately 25 square miles and includes the City of Bedford, most of the City of Bedford Heights, and the Villages of Walton Hills and Oakwood. The operation of the School District is governed by an elected five-member Board of Education.

*Reporting Entity*

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

Nonpublic Schools - Within the School District boundaries, there is one nonpublic school, Safely Home. Current State legislation provides funding to this non-public school. These monies are received and disbursed by the School District on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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

The School District participates in an insurance purchasing pool and two jointly governed organizations. These organizations are the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program, Connect and Ohio Schools Council Association. These organizations are presented in Notes 16 and 20 of the notes to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**Bedford City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School 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 School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient 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 School District, within certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which a governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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 internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into three categories: governmental, proprietary 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 is the School District's only major governmental fund:

***General Fund*** The general fund is the operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Bedford City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

***Proprietary Fund Type*** Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District only has one internal service fund.

***Internal Service Funds*** The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District utilizes one internal service fund to account for the operation of the School District's self insurance program for hospitalization/medical benefits, dental and prescription benefits.

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship donations for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two agency funds, the student activities fund that reports resources belonging to the student bodies of the various schools and the district agency fund that reports Ohio High School Athletic Association tournament monies.

***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 School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., 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.

Like the government-wide statements, the internal service funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service funds activity.

The private purpose trust fund is reported using the economic resources measurement focus.

**Bedford City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/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 School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 14).

**Bedford City School District**  
*Notes to the Basic Financial Statements*  
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***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.

***Pensions***

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

***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 may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds; however, the budgets are monitored on a daily basis at the object account level within a function and fund. The Treasurer has been given the authority to allocate appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect when the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues by fund. 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***Cash and Cash Equivalents***

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

During fiscal year 2016, the School District's investments were limited to STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which

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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 School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$57,378, which includes \$8,663 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and donated and purchased food held for resale.

***Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	10 - 30 years
Furniture and Equipment	10 - 20 years
Vehicles	12 years

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***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a component of fund balance. These amounts are eliminated in the governmental activity column of the statement of net position.

***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 School 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 termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave will be paid.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from the internal service funds are reported on the internal service fund financial statements.

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

***Internal Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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.

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***Fund Balance Classifications***

Fund balance is divided into five classifications based primarily on the extent to which the School 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for recreation, public school support, special enterprise projects and summer school.

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

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

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for auxiliary services, vocational education and support services.



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

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for the self-insurance program and the computer network services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

***Estimates***

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

**Note 3 –Accountability**

At June 30, 2016, the following funds had deficit fund balances:

	<u>Amount</u>
<b>Special Revenue Funds:</b>	
Title VI-B	\$220,268
Vocational Education	34,241
Title III	1,171
Title I	198,583
Preschool Handicapped	6,901
Title VI-R	21,253

The deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

**Note 4 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

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Fund Balances	General	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>			
Inventory	\$426,569	\$7,207	\$433,776
<b><i>Restricted for</i></b>			
Food Service	0	957,037	957,037
Technology Improvements	0	75,854	75,854
Athletics	0	31,838	31,838
Community Involvement	20,494	0	20,494
Non-Public Schools	0	12,697	12,697
Debt Service Payments	0	68,522	68,522
Capital Improvements	0	121,069	121,069
<b><i>Total Restricted</i></b>	<b>20,494</b>	<b>1,267,017</b>	<b>1,287,511</b>
<b><i>Committed to</i></b>			
Educational Services	379,692	0	379,692
Capital Improvements	0	188,908	188,908
<b><i>Total Committed</i></b>	<b>379,692</b>	<b>188,908</b>	<b>568,600</b>
<b><i>Assigned to</i></b>			
Recreation	8,482	0	8,482
Public School Support	124,013	0	124,013
Special Enterprise	63,300	0	63,300
Summer School	15,664	0	15,664
Purchases on Order			
Instruction	145,393	0	145,393
Support Services	912,293	0	912,293
<b><i>Total Assigned</i></b>	<b>1,269,145</b>	<b>0</b>	<b>1,269,145</b>
<b><i>Unassigned (Deficit)</i></b>	<b>16,480,858</b>	<b>(482,417)</b>	<b>15,998,441</b>
<b><i>Total Fund Balances</i></b>	<b>\$18,576,758</b>	<b>\$980,715</b>	<b>\$19,557,473</b>

**Note 5 - Budgetary Basis of Accounting**

While the School District is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

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4. Unrecorded cash represents amounts received but not reported by the School District on the operating statements (budget), but which is reported on the GAAP basis operating statements.
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis)
6. Budgetary revenues and expenditures of the public school support, special enterprise and summer school funds are classified to the general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$3,065,090
Net Adjustment for Revenue Accruals	(1,339,159)
Advances In	1,306,000
Net Adjustment for Expenditure Accruals	(398,830)
Advances Out	(1,275,000)
Beginning Unrecorded Cash	(4,083)
Ending Unrecorded Cash	3,650
Perspective Difference:	
Public School Support	(5,625)
Special Enterprise	(14,500)
Summer School	8,357
Adjustment for Encumbrances	<u>(2,032,296)</u>
Budget Basis	<u><u>(\$686,396)</u></u>

**Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

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

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Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

### **Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$832,010 of the School District's bank balance of \$1,129,526 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

### **Investments**

As of June 30, 2016, the School District's only investment was in STAR Ohio, which is measured at net asset value per share.

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment

**Bedford City School District**  
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portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than two years.

**Credit Risk.** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Note 7 - Receivables**

Receivables at June 30, 2016, consisted of taxes, accounts (student fees and tuition), interfund, School Employees Retirement System overpayment and intergovernmental grants. 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 fiscal year guarantee of federal funds. All receivables except for manuscript debt and delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Title VI-B Grants and Subsidies	\$236,917
Title I Grants and Subsidies	197,921
School Employees Retirement System	157,560
Vocational Education Grants and Subsidies	128,529
Medicaid Reimbursement	33,863
Title VI-R Grants and Subsidies	20,966
State Foundation	12,038
Preschool Handicapped Grants and Subsidies	11,329
Title III	1,171
Village of Oakwood	784
Total	<u>\$801,078</u>

**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

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Public utility property tax revenues received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 become a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016 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 were levied to finance current fiscal year operations are 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 of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2016 was \$7,951,694 in the general fund and \$115,813 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2015, was \$6,197,605 in the general fund and \$89,624 in the permanent improvement capital projects fund. The difference was in timing and collection by the County Fiscal Officer.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural	\$355,263,290	52.33 %	\$349,512,680	52.73 %
Other Real Estate	277,672,580	40.90	262,252,180	39.57
Public Utility Personal	45,977,350	6.77	51,032,600	7.70
<b>Total</b>	<b>\$678,913,220</b>	<b>100.00 %</b>	<b>\$662,797,460</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$75.72		\$75.72	

**Note 9 - Interfund Transfers and Balances**

***Interfund Transfers***

The general fund transferred \$109,900 to the district managed student activities special revenue fund to provide financial support for the School District's athletics, \$168,200 to the permanent improvement capital projects fund to help fund capital improvements and \$207,775 to the capital replacement capital projects fund for bus purchases.

***Interfund Balances***

Interfund balances at June 30, 2016, consist of the following individual fund receivables and payables:

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	Interfund Receivable
Interfund Payable	General
<b>Other Governmental Funds</b>	
Title VI-B	\$400,000
Vocational Education	150,000
Title III	12,000
Title I	500,000
Preschool Handicapped	45,000
Title VI-R	45,000
Permanent Improvement	0
<i>Total Other Governmental Funds</i>	<b>\$1,152,000</b>

The interfund payables are advances for grant monies that were not received by fiscal year end. The School District expects to receive the grant monies and repay the advances within the next fiscal year.

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,525,500	\$0	\$0	\$1,525,500
Construction in Progress	253,631	27,094	(280,725)	0
<i>Total Capital Assets, not being depreciated</i>	1,779,131	27,094	(280,725)	1,525,500
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	42,675,530	612,065	(391,081)	42,896,514
Furniture and Equipment	6,361,111	107,408	(3,220)	6,465,299
Vehicles	5,121,001	412,961	(250,951)	5,283,011
<i>Total Capital Assets, being depreciated</i>	54,157,642	1,132,434	(645,252)	54,644,824
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(28,547,985)	(1,051,257)	376,726	(29,222,516)
Furniture and Equipment	(4,258,880)	(266,987)	3,156	(4,522,711)
Vehicles	(3,160,752)	(294,981)	186,850	(3,268,883)
<i>Total Accumulated Depreciation</i>	(35,967,617)	(1,613,225) *	566,732	(37,014,110)
<i>Total Capital Assets, being depreciated, net</i>	18,190,025	(480,791)	(78,520)	17,630,714
<i>Governmental Activities Capital Assets, Net</i>	\$19,969,156	(\$453,697)	(\$359,245)	\$19,156,214

**Bedford City School District**  
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\* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$301,280
Special	1,504
Vocational	13,029
Support Services:	
Pupil	1,709
Instructional Staff	11,534
Administration	2,212
Fiscal	142
Business	166,424
Operation and Maintenance of Plant	685,338
Pupil Transportation	270,851
Central	470
Operation of Non-Instructional Services:	
Food Service Operations	15,852
Other Non-Instructional Services	40,015
Extracurricular Activities	102,865
Total Depreciation Expense	\$1,613,225

## **Note 11 - Contingencies**

### ***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 School District at June 30, 2016, if applicable, cannot be determined at this time.

### ***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

### ***Litigation***

The School District is a party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.



## **Note 12 - Risk Management**

### ***Property and Liability***

The School 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 2016, the School District contracted for property and general liability insurance, and boiler and machinery coverage through the Ohio Schools Council Association Group Purchasing Consortium. The Netherlands Insurance Company (member of Liberty Mutual Group) is the carrier for the School District's insurance.

Aggregate property coverage is \$151,829,766 with a \$5,000 deductible. Aggregate boiler and machinery coverage is approximately \$50 million with a \$1,000 deductible. The policy is renewable on July 1, 2016, for each coverage. Casualty and fleet insurance coverage was provided with a combined single limit of \$1 million and \$1,000 deductible. Education and umbrella liability insurance coverage was provided with a combined single limit of \$9 million each occurrence and combined aggregate of \$9 million. The Treasurer is covered by a \$100,000 surety bond and the Superintendent, Board of Education President, and Business Manager are covered by \$50,000 position bonds.

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

### ***Worker's Compensation***

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program, an insurance purchasing pool (Note 16). The intent of the Group Rating Program, (GRP) is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

### ***Employee Benefits***

The School District has elected to provide employee hospitalization/medical benefits and prescription drug benefits to full time employees through a self-insurance program as of January 1, 2013. Full time is defined as the full 186 day academic year, or 1,700 hours for non-certificated employees. Employees working shorter calendars pay a prorated portion of the health care premiums. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risk of loss in the hospitalization and drug programs. There is no limitation on prescription drug benefits as this type of coverage is not subject to catastrophic loss.

A third party administrator, Cigna, reviews and pays all claims. The School District pays the following monthly premium into the self-funded benefits fund, which represents 88 percent of the premium required. In 2016 three different plans were offered through Cigna. The premiums charged were different for each plan. The School District rates for the most popular plan design were as follows: Hospitalization - \$499 (single), \$1,373 (family). These premiums are paid by the fund that pays the salary for each employee and is based on historical cost information. Stop-loss coverage has been purchased for medical claims at \$100,000 per individual employee, and in aggregate of 125 percent of expected claims for the School District.

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Dental benefits are provided with a fully-insured program and claims are limited to \$2,500 per covered individual per year, with a lifetime limit of \$1,000 on orthodontia. Healthspan is also available as a fully-insured health and prescription option. Beginning in June, a Medical Mutual plan replaced the Healthspan option at the same cost. The premiums were \$453.38 (single) and \$1,105.27 (family).

The claims liability of \$229,300 reported in the self insurance fund at June 30, 2016, is based on an estimate provided by the Treasurer and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount for the last two years follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	\$422,900	\$4,730,968	\$4,868,168	\$285,700
2016	285,700	4,422,187	4,478,587	229,300

**Note 13 - Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and Administrators earn ten to twenty days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Each employee earns sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 275 days for non-certificated, 260 days for certificated employees (unless in their final year of employment before retirement) and 370 days for administrators. Upon retirement or termination after 25 years of consecutive service (or attaining age 52 and 20 years of consecutive service), payment is made for up to 40 days for certificated employees, 30 days for administrators, plus one-tenth of the days remaining. The maximum number of days to be paid out is 63.5 days for certificated staff and 86.5 days for administrators. The non-certificated employees' payment is calculated using one-fourth of the days unless the employee has accumulated 90 percent or more of their maximum number of days in which case the calculation is made at 30 percent for a maximum of 82.5 days. For purposes of retirement, the employee receiving such payment must meet the eligibility requirement provisions set by STRS or SERS.

**Note 14 – 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 School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of

**Bedford City School District**  
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each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$1,235,580 for fiscal year 2016. Of this amount \$91,100 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$2,684,736 for fiscal year 2016. Of this amount \$414,452 is reported as an intergovernmental payable.

***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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.27752900%	0.18588748%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.27142040%</u>	<u>0.18712752%</u>	
Change in Proportionate Share	<u>-0.00610860%</u>	<u>0.00124004%</u>	
Proportionate Share of the Net			
Pension Liability	\$15,487,511	\$51,716,575	\$67,204,086
Pension Expense	\$895,770	\$2,416,253	\$3,312,023

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$249,378	\$2,357,624	\$2,607,002
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	258,170	258,170
School District contributions subsequent to the measurement date	<u>1,235,580</u>	<u>2,684,736</u>	<u>3,920,316</u>
Total Deferred Outflows of Resources	<u>\$1,484,958</u>	<u>\$5,300,530</u>	<u>\$6,785,488</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$513,152	\$3,719,399	\$4,232,551
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>268,916</u>	<u>0</u>	<u>268,916</u>
Total Deferred Inflows of Resources	<u>\$782,068</u>	<u>\$3,719,399</u>	<u>\$4,501,467</u>

\$3,920,316 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$272,268)	(\$774,802)	(\$1,047,070)
2018	(272,268)	(774,802)	(1,047,070)
2019	(273,449)	(774,802)	(1,048,251)
2020	<u>285,295</u>	<u>1,220,801</u>	<u>1,506,096</u>
Total	<u>(\$532,690)</u>	<u>(\$1,103,605)</u>	<u>(\$1,636,295)</u>

***Actuarial Assumptions - SERS***

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

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

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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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$21,475,613	\$15,487,511	\$10,445,036

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates 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	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.



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**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$71,838,221	\$51,716,575	\$34,700,720

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 15 - Postemployment Benefits**

**School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Bedford City School District**  
*Notes to the Basic Financial Statements*  
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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$121,391.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$121,391, \$178,291 and \$101,587, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$192,243, respectively. The full amount has been contributed for 2016, 2015 and 2014.

**Note 16 - Insurance Purchasing Pool**

***Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program*** - The School District participates in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program, an insurance purchasing pool. The group's business and affairs are conducted by a three member Board of Directors consisting of the President, the President Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the OSBA to cover the costs of administering the program.

**Bedford City School District**  
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**Note 17 - Set Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Improvement
Set-aside Balances as of June 30, 2015	\$0
Current Year Set-aside Requirement	585,809
Current Year Offsets	(295,283)
Qualifying Disbursements	(2,726,189)
Totals	(\$2,435,663)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balances as of June 30, 2016	\$0

While the current year offsets and qualifying disbursements during the fiscal year reduced the capital improvement set-aside amount to below zero, this amount may not be used to reduce the set-aside requirements of future fiscal years.

**Note 18 – Notes Payable**

The School’s note activity, including amounts outstanding and interest rates is as follows:

	Outstanding 6/30/2015	Issued	Retired	Outstanding 6/30/2016
<b>Governmental Activities</b>				
Tax Anticipation Notes, Series 2014	\$237,954	\$0	(\$59,500)	\$178,454
Tax Anticipation Notes, Series 2016	0	609,273	(101,000)	508,273
Total Governmental Activities	\$237,954	\$609,273	(\$160,500)	\$686,727

In fiscal year 2014, the School District issued \$297,454 in tax anticipation notes for capital projects. The notes will be paid from the permanent improvement capital projects fund.

In fiscal year 2016, the School District issued \$609,273 in tax anticipation notes for capital projects. The notes will be paid from the general fund and the capital replacement capital projects fund. Principal and interest payments to retire the tax anticipation notes are as follows:

**Bedford City School District**  
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	Principal	Interest	Total
2017	\$160,500	\$13,735	\$174,235
2018	160,500	10,526	171,026
2019	161,454	7,315	168,769
2020	102,000	4,086	106,086
2021	102,273	2,045	104,318
<b>Total</b>	<b>\$686,727</b>	<b>\$37,707</b>	<b>\$724,434</b>

All notes are backed by the full faith and credit of the School. The note liability is reflected in the fund which received the proceeds and will repay the debt.

**Note 19 - Long Term Obligations**

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's long-term obligations follows:

Debt Issue	Original Issue Date	Original Issue Amount	Interest Rate	Date of Maturity
<b>General Obligation Bonds:</b>				
Radio Equipment Acquisition Bond	2013	\$274,578	1.50%	July 15, 2016
Energy Conservation Improvement Bonds	2006	3,562,114	4.11%	October 15, 2020

The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 6/30/15	Additions	(Reductions)	Principal Outstanding 6/30/16	Amount Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligations Bonds:</b>					
Radio Equipment Acquisition Bonds	\$137,290	\$0	(\$68,656)	\$68,634	\$68,634
Energy Conservation Improvement Bonds	1,661,531	0	(249,832)	1,411,699	260,089
<i>Total General Obligation Bonds</i>	<u>1,798,821</u>	<u>0</u>	<u>(318,488)</u>	<u>1,480,333</u>	<u>328,723</u>
<b>Other Long Term Obligations:</b>					
<b>Net Pension Liability:</b>					
STRS	45,214,269	6,502,306	0	51,716,575	0
SERS	14,045,584	1,441,927	0	15,487,511	0
Total Net Pension Liability	59,259,853	7,944,233	0	67,204,086	0
Capital Leases	46,164	0	(46,164)	0	0
Compensated Absences	3,999,443	1,340,022	(1,295,012)	4,044,453	1,449,875
<i>Total Other Long Term Obligation</i>	<u>63,305,460</u>	<u>9,284,255</u>	<u>(1,341,176)</u>	<u>71,248,539</u>	<u>1,449,875</u>
<b>Total Governmental Activities</b>	<b><u>\$65,104,281</u></b>	<b><u>\$9,284,255</u></b>	<b><u>(\$1,659,664)</u></b>	<b><u>\$72,728,872</u></b>	<b><u>\$1,778,598</u></b>

Energy conservation improvement bonds were issued for the purpose of improvements throughout the School District. These bonds will be paid from the general fund.

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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

The capital leases were paid from the capital replacement capital projects fund. The lease was retired during fiscal year 2016. The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences are paid from the general fund, the food service, auxiliary services, title VI-B, title I and title VI-R special revenue funds. The School District pays obligations related to employee compensation from the fund benefitting from their service. See Note 14 for additional information related to the net pension liability.

In October 2012, the School District issued radio equipment acquisition bonds having an original face value of \$274,578, for the purpose of acquiring radio communications equipment. These bonds will be paid from the building capital projects fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The overall debt margin of the School District as of June 30, 2016, was \$58,218,015 with an unvoted debt margin of \$593,910. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016, are as follows:

	Radio Equipment Acquisition Bonds		Energy Conservation Improvement Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$68,634	\$1,035	\$260,089	\$57,958	\$328,723	\$58,993
2018	0	0	270,767	47,280	270,767	47,280
2019	0	0	281,883	36,164	281,883	36,164
2020	0	0	293,456	24,591	293,456	24,591
2021	0	0	305,504	12,543	305,504	12,543
Total	\$68,634	\$1,035	\$1,411,699	\$178,536	\$1,480,333	\$179,571

**Note 20 - Jointly Governed Organizations**

***Connect***

North Coast Council, which became Connect effective April 1, 2016, is a jointly governed organization comprised of twenty-four member school districts, three educational service centers and the Ohio Schools Council. The jointly governed organization was formed for the purpose of providing support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. 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. Each participating entity's contribution to Connect is dependent upon student enrollment and/or software packages and services utilized. Financial information for Connect can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, which serves as fiscal agent. During fiscal year 2016, the School District contributed \$71,878 to Connect.

***Ohio Schools Council Association***

The Ohio Schools Council Association (Council) is a jointly governed organization among 199 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects

**Bedford City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

five of the Council’s Board members and the remaining four are representatives of the Greater Cleveland School Superintendents’ Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. In fiscal year 2016, the School District paid \$1,962 to the Council. 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 School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy serves as the new supplier and program manager for the period from April 1, 2016 through March 31, 2019. There are currently 154 participants 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). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council’s current electric purchase program. The Power 4 Schools Program provides a fixed price rate for electricity supplied by First Energy Solutions of \$0.0602 per kwh for the generation of electricity. There are currently 256 participants in the program including the School District. School districts are not charged a fee by OSC to participate in this program. School districts pay the utility (Ohio Edison, Toledo Edison or Cleveland Electric Illuminating Co.) directly and receive a discount for the fixed price of generation.

**Note 21 – Significant Commitments**

***Contractual Commitments***

As of June 30, 2016, the School District had the following contractual construction commitments outstanding:

Vendor Name	Contract Amount	Amount Paid To Date	Remaining Contract
Capital Aluminum and Glass - Carylwood Windows Phase II	\$515,000	\$431,000	\$84,000

Remaining commitment amounts were encumbered at year end.

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

**Bedford City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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General	\$2,032,296
Other Governmental Funds	349,856
Internal Service	8,623
Total	<u>\$2,390,775</u>

**Note 22 – Change in Accounting Principle**

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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## Required Supplementary Information

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**Bedford City School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the*  
*Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.271420%	0.277529%	0.277529%
School District's Proportionate Share of the Net Pension Liability	\$15,487,511	\$14,045,584	\$16,503,759
School District's Covered Payroll	\$8,203,703	\$8,159,191	\$7,988,321
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.79%	172.14%	206.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

**Bedford City School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the*  
*Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1) \**

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.18712752%	0.18588748%	0.18588748%
School District's Proportionate Share of the Net Pension Liability	\$51,716,575	\$45,214,269	\$53,858,941
School District's Covered Payroll	\$19,570,471	\$19,579,221	\$19,212,138
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	264.26%	230.93%	280.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

**Bedford City School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,235,580	\$1,081,248	\$1,130,864	\$1,105,584
Contributions in Relation to the Contractually Required Contribution	<u>(1,235,580)</u>	<u>(1,081,248)</u>	<u>(1,130,864)</u>	<u>(1,105,584)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$8,825,571	\$8,203,703	\$8,159,191	\$7,988,321
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$1,083,749	\$1,014,939	\$764,140	\$844,270	\$830,814	\$874,045
<u>(1,083,749)</u>	<u>(1,014,939)</u>	<u>(764,140)</u>	<u>(844,270)</u>	<u>(830,814)</u>	<u>(874,045)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,057,614	\$8,074,293	\$5,643,576	\$8,579,978	\$8,460,426	\$8,183,942
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$2,684,736	\$2,739,866	\$2,545,299	\$2,497,578
Contributions in Relation to the Contractually Required Contribution	<u>(2,684,736)</u>	<u>(2,739,866)</u>	<u>(2,545,299)</u>	<u>(2,497,578)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$19,176,686	\$19,570,471	\$19,579,223	\$19,212,138
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$2,460,983	\$2,469,571	\$2,518,241	\$2,621,381	\$2,438,865	\$2,367,875
<u>(2,460,983)</u>	<u>(2,469,571)</u>	<u>(2,518,241)</u>	<u>(2,621,381)</u>	<u>(2,438,865)</u>	<u>(2,367,875)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$18,930,638	\$18,996,700	\$19,371,085	\$20,164,469	\$18,760,500	\$18,214,423
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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