OHIO AUDITOR OF STATE
KEITH FABER

Bedford City School District
Cuyahoga County, Ohio

General Purpose External Financial Statements
For the Fiscal Year Ended June 30, 2019

Local Government Services Section

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, 2019. 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 2019 are as follows:

- The School District provided educational services to 3,123 students during fiscal year 2019. This is an increase from the prior fiscal year. The School District also provides preschool education to 42 handicapped and 57 regular education students.

- Net position increased in fiscal year 2019 due mainly to changes in the net pension and net OPEB liabilities (asset) and the deferred outflows and deferred inflows of resources associated with these liabilities. Net position also increased due to an increase in property tax revenues attributable to the timing of advance settlements.

- Outstanding long-term obligations for the School District decreased from the prior fiscal year due to decreases in the net pension/OPEB liabilities combined with an additional year of debt 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 fiscal year due to an additional year of depreciation outpacing current year additions. Capital asset additions included property between the bus and maintenance garage, replacement of the stadium speakers and four busses, among other items.

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.

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

Statement of Net Position and the Statement of Activities

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 School District's overall net position increased in fiscal year 2019.

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 with the balance sheet. 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 run off claims of hospitalization/medical and prescription drug benefits of School District employees dated prior to January 1, 2019. The internal service fund is reported as the School District's only proprietary fund.

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 2019 compared to fiscal year 2018:

Table 1
Net Position

	2019	2018	Change
Assets			
Current and Other Assets	$61,976,874	$59,765,014	$2,211,860
Noncurrent Assets:			
Net OPEB Asset	2,880,604	0	2,880,604
Capital Assets, Net	18,378,777	19,239,409	(860,632)
Total Assets	83,236,255	79,004,423	1,351,228
Deferred Outflows of Resources			
Pension	13,263,401	17,003,874	(3,740,473)
OPEB	613,147	580,616	32,531
Total Deferred Outflows of Resources	13,876,548	17,584,490	(3,707,942)
Liabilities			
Current and Other Liabilities	6,086,356	6,683,238	596,882
Long-Term Liabilities:			
Due Within One Year	2,112,836	2,172,591	59,755
Due in More than One Year			
Net Pension Liability	53,998,557	59,535,350	5,536,793
Net OPEB Liability	7,043,158	14,389,711	7,346,553
Other Amounts	3,275,375	3,419,399	144,024
Total Liabilities	72,516,282	86,200,289	13,684,007
Deferred Inflows of Resources			
Property Taxes	26,932,233	29,393,703	2,461,470
Pension	5,200,904	3,383,807	(1,817,097)
OPEB	5,906,982	1,853,028	(4,053,954)
Total Deferred Inflows of Resources	38,040,119	34,630,538	(3,409,581)
Net Position			
Net Investment in Capital Assets	17,575,544	17,992,839	(417,295)
Restricted:			
Capital Projects	346,259	327,176	19,083
Debt Service	46,396	95,854	(49,458)
Other Purposes	1,039,314	1,179,195	(139,881)
Unrestricted (Deficit)	(32,451,111)	(43,836,978)	11,385,867
Total	($13,443,598)	($24,241,914)	$10,798,316

No assurance is provided on these financial statements.

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Cash and cash equivalents increased as the School District plans for future capital projects and continues cost cutting measures through reductions in staff. The increase in intergovernmental receivables is primarily due to larger foundation adjustments from the Ohio Department of Education after fiscal year end. Capital assets decreased as current year depreciation exceeded capital asset additions, which included property between the bus and maintenance garage, replacement of the stadium speakers and four busses, among other items. There was a decrease in deferred outflows of resources and the net pension/OPEB liabilities and an increase deferred inflows of resources related to the net pension/OPEB liabilities from the prior fiscal year. This resulted in an overall increase in net position for the School District. Total liabilities decreased from the prior fiscal year primarily due to a decrease in the net pension/OPEB liabilities combined with a decrease in outstanding debt due to the continued pay down of the debt issuances.

Table 2 shows changes in governmental net position for fiscal years 2019 and 2018.

Table 2
Changes in Net Position

	2019	2018	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	$3,097,505	$2,801,267	$296,238
Operating Grants, Contributions and Interest	5,960,056	6,173,524	(213,468)
Capital Grants	265,771	39,241	226,530
Total Program Revenues	9,323,332	9,014,032	309,300
General Revenue:			
Property Taxes	36,272,996	32,831,987	3,441,009
Grants and Entitlements	13,875,705	14,071,284	(195,579)
Unrestricted Contributions	4,402	3,754	648
Investments	540,717	305,640	235,077
Payments in Lieu of Taxes	132,580	145,906	(13,326)
Miscellaneous	255,189	315,662	(60,473)
Total General Revenues	51,081,589	47,674,233	3,407,356
Total Revenues	60,404,921	56,688,265	3,716,656
Program Expenses			
Instruction	23,271,352	10,243,312	(13,028,040)
Support Services:			
Pupil	3,443,581	2,263,289	(1,180,292)
Instructional Staff	2,239,946	1,385,051	(854,895)
Board of Education	233,655	150,798	(82,857)
Administration	3,559,946	2,552,233	(1,007,713)
Fiscal	1,214,457	1,301,180	86,723
Business	712,934	734,238	21,304
Operation and Maintenance of Plant	7,064,866	6,202,970	(861,896)
Pupil Transportation	4,036,372	3,723,821	(312,551)
Central	394,007	207,069	(186,938)
Operation of Non-Instructional Services:			
Food Service Operations	1,924,401	1,882,515	(41,886)
Other Non-Instructional Services	397,966	188,924	(209,042)
Extracurricular Activities	1,078,107	886,854	(191,253)
Interest and Fiscal Charges	35,015	49,662	14,647
Total Program Expenses	49,606,605	31,771,916	(17,834,689)
Net Change in Net Position	10,798,316	24,916,349	(14,118,033)
Net Position Beginning of Year	(24,241,914)	(49,158,263)	24,916,349
Net Position End of Year	($13,443,598)	($24,241,914)	$10,798,316

No assurance is provided on these financial statements.

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 2019, 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 2018. In 2019, the School District experienced higher property tax revenues. Grant and entitlement revenues remained relatively consistent with the prior year. The increase in property tax revenues is due to the timing of advance settlements and an increase in assessed values. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The School District continues to seek out new grant monies available through various federal programs.

Program revenues increased from 2018 as a result of the School District collecting increased amounts of charges for services and capital grants. The increase in charges for services is due to receiving a larger end of year tuition adjustment through State foundation funding. The increase in capital grants is due to a one-time e-rate reimbursement.

Program expenses increased in fiscal year 2019 due to changes in the net pension/OPEB liabilities. As mentioned previously, changes in the net pension liability, net OPEB liability (asset) and associated deferred outflows/inflows are the result of the School District's adjusting proportionate share of the total State-wide liabilities (assets) for both pension and OPEB across retirement systems.

Program expenses, excluding amounts related to the net pension/OPEB liabilities, only increased by about $440,000. This increase can be attributed to the increase in support services expenditures in fiscal year 2019. The School District continues to show vigilance in monitoring all facets of spending.

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). As a result of these changes, pension expense decreased from $6,646,752 in fiscal year 2017 to a negative pension expense of $17,645,124 for fiscal year 2018. For fiscal year 2019, pension expense increased to $4,056,164, closer to the 2017 pension expense amount.

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.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Instruction	$23,271,352	$18,383,433	$10,243,312	$5,652,996
Support Services:				
Pupil	3,443,581	2,548,719	2,263,289	1,385,912
Instructional Staff	2,239,946	1,530,273	1,385,051	512,880
Board of Education	233,655	233,655	150,798	150,798
Administration	3,559,946	3,402,660	2,552,233	2,404,760
Fiscal	1,214,457	1,214,457	1,301,180	1,301,180
Business	712,934	596,840	734,238	614,625
Operation and Maintenance of Plant	7,064,866	6,791,210	6,202,970	6,157,892
Pupil Transportation	4,036,372	4,029,878	3,723,821	3,685,680
Central	394,007	391,583	207,069	205,921
Operation of Non-Instructional Services:				
Food Service Operations	1,924,401	39,486	1,882,515	(9,796)
Other Non-Instructional Services	397,966	235,501	188,924	6,914
Extracurricular Activities	1,078,107	850,563	886,854	638,460
Interest and Fiscal Charges	35,015	35,015	49,662	49,662
Total	$49,606,605	$40,283,273	$31,771,916	$22,757,884

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 $59,784,680 and expenditures of $55,386,816. The increase in fund balance for the general fund was primarily due to an increase in tax revenues due to the timing of advance settlements and an increase in assessed values. General fund expenditures increased from the prior year due to increases in pupil transportation and non-instructional services. The Administration carefully monitors the budget to ensure positive cash flows. The School District continues to seek out additional sources of funding. The increase in fund balance for all other governmental funds was primarily due to increased intergovernmental revenues as the School District continues to seek out additional funding sources.

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.

During the course of fiscal year 2019, the School District amended its general fund budget several times, but no change was significant. The general fund final budget revenue amount was higher than the original budget amount as the School District adjusted estimates with updated information. The increase was due to the greater than anticipated collection of tax and intergovernmental revenues from larger disbursements in foundation settlements and from the Ohio Department of Education. Actual revenues were higher than the final budget amount due in large part to greater tax and intergovernmental revenues than anticipated. Actual expenditures were 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 and fiscal due to management taking cost cutting measures. The School District ended the fiscal year with an unencumbered fund balance of $17,151,949, an increase from fiscal year 2018 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 Long-Term Obligations

Capital Assets

At the end of fiscal year 2019, the School District had, at cost, $59,291,350 invested in land, buildings and improvements, furniture and equipment, and vehicles. That total carries an accumulated depreciation of $40,912,573.

In fiscal year 2019, the School District's capital asset additions included property between the bus and maintenance garage, replacement of the stadium speakers, boilers, food service equipment and four busses, among other items. Current year deletions include stadium speakers, freezers from school cafeterias and two busses.

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 2019. 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 $167,000 and $150,000 was transferred to the permanent improvement and the capital replacement capital projects funds, respectively, to be used for technology and furniture in the schools. For additional information on capital assets, see Note 12 of the notes to the basic financial statements.

Long-Term Obligations

Energy conservation bonds were issued for the purpose of improvements throughout the School District. These bonds will be paid from the general fund. As of June 30, 2019, the remaining principal outstanding was $598,960.

The School District's overall legal debt margin was $65,879,772 with an unvoted legal debt margin of $737,943. For additional information on long-term obligations, see Note 20 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.

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, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$21,396,493
Cash and Cash Equivalents with Fiscal Agent	80,000
Accounts Receivable	8,551
Intergovernmental Receivable	1,839,921
Inventory Held for Resale	37,765
Materials and Supplies Inventory	243,531
Revenue in Lieu of Taxes Receivable	4,889
Taxes Receivable	38,365,724
Net OPEB Asset	2,880,604
Nondepreciable Capital Assets	2,261,500
Depreciable Capital Assets	16,117,277
Total Assets	83,236,255
Deferred Outflows of Resources	
Pension	13,263,401
OPEB	613,147
Total Deferred Outflows of Resources	13,876,548
Liabilities	
Accounts Payable	433,184
Contracts Payable	34,341
Accrued Wages and Benefits Payable	4,198,570
Intergovernmental Payable	948,733
Notes Payable	204,273
Matured Compensated Absences Payable	216,967
Accrued Interest Payable	17,760
Claims Payable	32,528
Long-Term Liabilities:	
Due Within One Year	2,112,836
Due in More Than One Year:	
Net Pension Liability (See Note 15)	53,998,557
Net OPEB Liability (See Note 16)	7,043,158
Other Amounts	3,275,375
Total Liabilities	72,516,282
Deferred Inflows of Resources	
Property Taxes	26,932,233
Pension	5,200,904
OPEB	5,906,982
Total Deferred Inflows of Resources	38,040,119
Net Position	
Net Investment in Capital Assets	17,575,544
Restricted for:	
Capital Projects	346,259
Debt Service	46,396
Food Service	804,645
Athletic Facilities	42,201
Other Purposes	192,468
Unrestricted (Deficit)	(32,451,111)
Total Net Position	($13,443,598)

See accompanying notes to the basic financial statements

Bedford City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest	Capital Grants	Governmental Activities
Instruction:					
Regular	$17,594,415	$1,715,520	$144,430	$0	($15,734,465)
Special	4,895,458	473,900	2,186,342	0	(2,235,216)
Vocational	766,961	63,957	303,770	0	(399,234)
Student Intervention Services	14,518	0	0	0	(14,518)
Support Services:					
Pupil	3,443,581	0	894,862	0	(2,548,719)
Instructional Staff	2,239,946	0	709,673	0	(1,530,273)
Board of Education	233,655	0	0	0	(233,655)
Administration	3,559,946	0	157,286	0	(3,402,660)
Fiscal	1,214,457	0	0	0	(1,214,457)
Business	712,934	93,899	22,195	0	(596,840)
Operation and Maintenance of Plant	7,064,866	0	7,885	265,771	(6,791,210)
Pupil Transportation	4,036,372	0	6,494	0	(4,029,878)
Central	394,007	0	2,424	0	(391,583)
Operation of Non-Instructional Services:					
Food Service Operations	1,924,401	534,197	1,350,718	0	(39,486)
Other Non-Instructional Services	397,966	0	162,465	0	(235,501)
Extracurricular Activities	1,078,107	216,032	11,512	0	(850,563)
Interest and Fiscal Charges	35,015	0	0	0	(35,015)
Total Governmental Activities	$49,606,605	$3,097,505	$5,960,056	$265,771	(40,283,273)

General Revenues	
Property Taxes Levied for:	
General Purposes	35,819,138
Capital Outlay	453,858
Grants and Entitlements not Restricted to Specific Programs	13,875,705
Unrestricted Contributions	4,402
Investment Earnings	540,717
Payments in Lieu of Taxes	132,580
Miscellaneous	255,189
Total General Revenues	51,081,589
Change in Net Position	10,798,316
Net Position Beginning of Year	(24,241,914)
Net Position End of Year	($13,443,598)

See accompanying notes to the basic financial statements

No assurance is provided on these financial statements.

Bedford City School District
Balance Sheet
Governmental Funds
June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$18,522,718	$2,850,187	$21,372,905
Cash and Cash Equivalents with Fiscal Agents	0	80,000	80,000
Accounts Receivable	8,551	0	8,551
Intergovernmental Receivable	1,196,667	643,254	1,839,921
Inventory Held for Resale	0	37,765	37,765
Materials and Supplies Inventory	236,647	6,884	243,531
Interfund Receivable	2,939,000	0	2,939,000
Revenue in Lieu of Taxes Receivable	4,889	0	4,889
Taxes Receivable	37,816,319	549,405	38,365,724
Total Assets	$60,724,791	$4,167,495	$64,892,286
Liabilities			
Accounts Payable	$353,430	$79,754	$433,184
Contracts Payable	11,097	23,244	34,341
Accrued Wages and Benefits Payable	3,976,997	221,573	4,198,570
Intergovernmental Payable	871,921	76,812	948,733
Accrued Interest Payable	279	62	341
Interfund Payable	0	2,939,000	2,939,000
Notes Payable	167,350	36,923	204,273
Matured Compensated Absences Payable	203,058	13,909	216,967
Total Liabilities	5,584,132	3,391,277	8,975,409
Deferred Inflows of Resources			
Property Taxes	26,545,333	386,900	26,932,233
Unavailable Revenue	5,779,623	280,305	6,059,928
Total Deferred Inflows of Resources	32,324,956	667,205	32,992,161
Fund Balances			
Nonspendable	236,647	6,884	243,531
Restricted	23,016	1,385,288	1,408,304
Committed	262,113	168,102	430,215
Assigned	862,619	0	862,619
Unassigned (Deficit)	21,431,308	(1,451,261)	19,980,047
Total Fund Balances	22,815,703	109,013	22,924,716
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$60,724,791	$4,167,495	$64,892,286

See accompanying notes to the basic financial statements

No assurance is provided on these financial statements.

Bedford City School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Funds Balances		$22,924,716
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,378,777
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	4,859,151	
Tuition and Fees	832,136	
Intergovernmental	211,628	
Miscellaneous	157,013	
Total		6,059,928
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(17,419)
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(8,940)
The net pension/OPEB asset/liability are not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	2,880,604	
Deferred Outflows - Pension	13,263,401	
Deferred Outflows - OPEB	613,147	
Net Pension Liability	(53,998,557)	
Net OPEB Liability	(7,043,158)	
Deferred Inflows - Pension	(5,200,904)	
Deferred Inflows - OPEB	(5,906,982)	
Total		(55,392,449)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(598,960)	
Compensated Absences	(4,789,251)	
Total		(5,388,211)
Net Position of Governmental Activities		($13,443,598)

See accompanying notes to the basic financial statements

No assurance is provided on these financial statements.

Bedford City School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$35,521,269	$449,890	$35,971,159
Intergovernmental	16,103,074	4,599,316	20,702,390
Interest	540,717	0	540,717
Charges for Services	595	535,490	536,085
Tuition and Fees	1,457,591	0	1,457,591
Rentals	93,899	0	93,899
Extracurricular Activities	122,535	91,609	214,144
Contributions and Donations	4,402	33,537	37,939
Payments in Lieu of Taxes	132,580	0	132,580
Miscellaneous	95,351	2,825	98,176
Total Revenues	54,072,013	5,712,667	59,784,680
Expenditures			
Current:			
Instruction:			
Regular	20,379,478	139,802	20,519,280
Special	5,655,405	282,318	5,937,723
Vocational	733,763	145,049	878,812
Student Intervention Services	14,518	0	14,518
Support Services:			
Pupil	2,986,912	914,252	3,901,164
Instructional Staff	1,751,309	770,881	2,522,190
Board of Education	233,655	0	233,655
Administration	4,129,551	157,646	4,287,197
Fiscal	1,216,016	0	1,216,016
Business	530,585	20,000	550,585
Operation and Maintenance of Plant	6,132,369	7,636	6,140,005
Pupil Transportation	4,134,547	7,140	4,141,687
Central	397,965	2,401	400,366
Operation of Non-Instructional Services:			
Food Service Operations	0	1,960,639	1,960,639
Other Non-Instructional Services	269,875	143,196	413,071
Extracurricular Activities	725,409	226,237	951,646
Capital Outlay	4,511	988,657	993,168
Debt Service:			
Principal Retirement	281,883	0	281,883
Interest and Fiscal Charges	41,044	2,167	43,211
Total Expenditures	49,618,795	5,768,021	55,386,816
Excess of Revenues Over (Under) Expenditures	4,453,218	(55,354)	4,397,864
Other Financing Sources (Uses)			
Sale of Capital Assets	4,900	0	4,900
Transfers In	30,323	464,503	494,826
Transfers Out	(487,055)	(57,771)	(544,826)
Total Other Financing Sources (Uses)	(451,832)	406,732	(45,100)
Net Change in Fund Balances	4,001,386	351,378	4,352,764
Fund Balances (Deficit) Beginning of Year	18,814,317	(242,365)	18,571,952
Fund Balances End of Year	$22,815,703	$109,013	$22,924,716

See accompanying notes to the basic financial statements

No assurance is provided on these 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, 2019

Net Change in Fund Balances -Total Governmental Funds		$4,352,764
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	780,670	
Current Year Depreciation	(1,633,279)	
Total		(852,609)
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.		(8,023)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	301,837	
Tuition and Fees	795,786	
Grants	(634,395)	
Miscellaneous	157,013	
Total		620,241
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due.		8,196
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.		281,883
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	4,035,387	
OPEB	154,410	
Total		4,189,797
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset/liability are reported as pension/OPEB expense in the statement of activities:		
Pension	(4,056,164)	
OPEB	6,051,324	
Total		1,995,160
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.		(78,104)
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.		289,011
Change in Net Position of Governmental Activities		$10,798,316

See accompanying notes to the basic financial statements

No assurance is provided on these 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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	$30,271,480	$32,744,371	$32,828,747	$84,376
Intergovernmental	14,417,156	15,743,560	15,923,904	180,344
Interest	462,239	500,000	540,717	40,717
Tuition and Fees	1,823,257	1,972,200	1,974,662	2,462
Rentals	91,523	99,000	79,573	(19,427)
Payments in Lieu of Taxes	114,469	125,000	127,691	2,691
Miscellaneous	194,503	209,329	235,722	26,393
Total Revenues	47,374,627	51,393,460	51,711,016	317,556
Expenditures				
Current:				
Instruction:				
Regular	21,811,097	21,834,750	20,791,256	1,043,494
Special	5,812,924	5,817,068	5,680,194	136,874
Vocational	810,701	811,279	803,660	7,619
Student Intervention Services	500	500	275	225
Support Services:				
Pupil	3,100,709	3,102,920	3,034,842	68,078
Instructional Staff	2,008,339	2,009,770	1,855,431	154,339
Board of Education	302,545	302,760	268,809	33,951
Administration	4,207,757	4,210,757	4,063,559	147,198
Fiscal	1,519,588	1,520,670	1,240,868	279,802
Business	647,100	647,560	535,081	112,479
Operation and Maintenance of Plant	6,773,855	6,778,684	6,459,729	318,955
Pupil Transportation	4,202,047	4,205,043	4,009,438	195,605
Central	440,411	440,725	432,089	8,636
Operation of Non-Instructional Services	228,567	228,730	228,447	283
Extracurricular Activities	735,621	736,145	729,796	6,349
Capital Outlay	5,500	5,500	4,511	989
Debt Service:				
Principal Retirement	281,883	281,883	281,883	0
Interest and Fiscal Charges	36,164	36,164	36,164	0
Total Expenditures	52,925,308	52,970,908	50,456,032	2,514,876
Excess of Revenues Over (Under) Expenditures	(5,550,681)	(1,577,448)	1,254,984	2,832,432
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	4,900	4,900
Advances In	1,392,350	1,392,350	1,392,350	0
Advances Out	(1,600,000)	(1,702,000)	(1,702,000)	0
Transfers Out	(437,155)	(489,555)	(489,555)	0
Total Other Financing Sources (Uses)	(644,805)	(799,205)	(794,305)	4,900
Net Change in Fund Balance	(6,195,486)	(2,376,653)	460,679	2,837,332
Fund Balance Beginning of Year	15,013,230	15,013,230	15,013,230	0
Prior Year Encumbrances Appropriated	1,678,040	1,678,040	1,678,040	0
Fund Balance End of Year	$10,495,784	$14,314,617	$17,151,949	$2,837,332

See accompanying notes to the basic financial statements

No assurance is provided on these financial statements.

Bedford City School District

Statement of Net Position

Internal Service Funds

June 30, 2019

Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$23,588
Liabilities	
Current Liabilities:	
Claims Payable	32,528
Net Position	
Unrestricted (Deficit)	($8,940)

See accompanying notes to the basic financial statements

No assurance is provided on these 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, 2019

Operating Revenues	
Charges for Services	$2,406,405
Operating Expenses	
Purchased Services	453,059
Claims	1,714,335
Total Operating Expenses	2,167,394
Income (Loss) before Transfers	239,011
Transfers In	50,000
Change in Net Position	289,011
Net Position Beginning of Year	(297,951)
Net Position End of Year	($8,940)

See accompanying notes to the basic financial statements

No assurance is provided on these financial statements.

Bedford City School District
Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2019

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	$2,406,405
Cash Payments for Purchased Services	(453,059)
Cash Payments for Claims	(1,953,107)
Net Cash Provided by (Used for) Operating Activities	239
Cash Flows from Noncapital and Related Financing Activities	
Advances In	100,000
Advances Out	(126,651)
Transfers In	50,000
Net Cash Provided by (Used for) Noncapital and Related Financing Activities	23,349
Net Increase (Decrease) in Cash and Cash Equivalents	23,588
Cash and Cash Equivalents Beginning of Year	0
Cash and Cash Equivalents End of Year	$23,588

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	$239,011
Adjustments	
Increase (Decrease) in Claims Payable	(238,772)
Net Cash Provided by (Used for) Operating Activities	$239

See accompanying notes to the basic financial statements

No assurance is provided on these financial statements.

Bedford City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$71,293	$62,313
Liabilities		
Due to Students	0	$62,313
Net Position		
Held in Trust for Scholarships	$71,293	

See accompanying notes to the basic financial statements

No assurance is provided on these financial statements.

Bedford City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	Scholarship
Additions	
Interest	$1,171
Miscellaneous	8,245
Total Additions	9,416
Deductions	0
Change in Net Position	9,416
Net Position Beginning of Year	61,877
Net Position End of Year	$71,293

See accompanying notes to the basic financial statements

No assurance is provided on these financial statements.

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 3,123 students in grades K through 12. The School District also provides preschool education to 42 handicapped and 57 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 17 and 21 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.

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.

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's only internal service fund is a self insurance fund that accounts for run off claims of hospitalization/medical and prescription drug benefits of School District employees dated prior to January 1, 2019.

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 fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund is 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 fund activity.

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

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, payments in lieu of taxes, 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 and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

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, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow 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, tuition and fees, intergovernmental and miscellaneous revenues. 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 Balances to Net Position of Governmental Activities fund on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 15 and 16)

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/Other Postemployment Benefits (OPEB)

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

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."

The School District is utilizing Tinker's Creek Watershed Partners, a nonprofit 501(c)(3) organization, to manage the Bedford Heights Garage Stream Restoration grant. The balance in this account is presented as "cash and cash equivalents with fiscal agents" and represents the monies held for the School District.

During fiscal year 2019, 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 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 fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transactions to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to $540,717, which includes $76,247 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 are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

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 and compensated absences 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 are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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 and after nonoperating revenues/expenses in internal service funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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 policies of the School District Board of Education or a School District official 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, summer school and fiscal year 2020 operations.

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.

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. 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, 2019, the following funds had deficit fund balances:

	Amount
Special Revenue Funds:	
Public School Preschool	$2,080
Title VI-B	2,342
Vocational Education	1,341
Title I	38,791
Title VI-R	3,602
Miscellaneous Federal Grants	3,128
Capital Project Fund:	
Building	1,399,977

The special revenue funds' deficits are due to adjustments for accrued liabilities. The deficit in the building fund is due to an interfund payable. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather then 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:

Fund Balances	General	Other Governmental Funds	Total
Nonspendable			
Inventory	$236,647	$6,884	$243,531
Restricted for			
Food Service	0	865,316	865,316
Technology Improvements	0	118,618	118,618
Athletics	0	42,201	42,201
Community Involvement	23,016	0	23,016
Miscellaneous State Grants	0	15,915	15,915
Title III	0	1,841	1,841
Debt Service Payments	0	63,815	63,815
Capital Improvements	0	277,582	277,582
Total Restricted	23,016	1,385,288	1,408,304
Committed to			
Educational Services	212,071	0	212,071
Health Services	39,042	0	39,042
Underground Storage Tanks	11,000	0	11,000
Capital Improvements	0	168,102	168,102
Total Committed	262,113	168,102	430,215
Assigned to			
Recreation	21,203	0	21,203
Public School Support	127,907	0	127,907
Special Enterprise	13,000	0	13,000
Summer School	16,401	0	16,401
Fiscal Year 2020 Operations	89,200	0	89,200
Purchases on Order			
Instruction	135,181	0	135,181
Support Services	459,727	0	459,727
Total Assigned	862,619	0	862,619
Unassigned (Deficit)	21,431,308	(1,451,261)	19,980,047
Total Fund Balances	$22,815,703	$109,013	$22,924,716

No assurance is provided on these financial statements.

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).

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 recreation, 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	$4,001,386
Net Adjustment for Revenue Accruals	(2,219,297)
Advances In	1,392,350
Net Adjustment for Expenditure Accruals	169,133
Advances Out	(1,702,000)
Beginning Unrecorded Cash	(2,531)
Ending Unrecorded Cash	(115)
Perspective Difference:	
Recreation	(719)
Public School Support	(9,427)
Special Enterprise	(13,000)
Summer School	(1,120)
Adjustment for Encumbrances	(1,153,981)
Budget Basis	$460,679

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.

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 agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2019, $317,290 of the School District's total bank balance of $1,178,820 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be one hundred two percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2019, the School District had STAR Ohio as an investment. STAR Ohio is being held with an amount of $21,944,219 which is insured at net asset value per share. The average maturity is 53.3 days.

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 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 Standard & Poor's has assigned an AAAm money market rating, its highest rating, to STAR Ohio. 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, 2019, consisted of taxes, accounts (student fees and tuition), payments in lieu of taxes, 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 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
Foundation Adjustments	$834,728
Title I Grants and Subsidies	316,341
School Employees Retirement System	198,733
Bureau of Workers' Compensation Refund	157,013
Vocational Education Grants and Subsidies	110,506
Title VI-B Grants and Subsidies	103,177
Title VI-R Grants and Subsidies	49,517
Public School Preschool Grants and Subsidies	34,660
Title III Grants and Subsidies	15,596
Miscellaneous Federal Grants and Subsidies	10,852
Motor Fuel Tax Refund	4,801
Preschool Handicapped Grants and Subsidies	2,605
Medicaid Reimbursement	1,086
Cuyahoga Soil & Water Conservation District	306
Total	$1,839,921

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 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, 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.

Public utility property tax revenues received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 become a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 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, 2019, are available to finance fiscal year 2019 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, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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, 2019 was $6,480,512 in the general fund and $93,828 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2018, was $3,846,250 in the general fund and $56,156 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 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural	$347,876,990	50.27 %	$376,046,050	50.92 %
Other Real Estate	265,429,220	38.36	281,920,870	38.17
Public Utility Personal	78,686,970	11.37	80,592,510	10.91
Total	$691,993,180	100.00 %	$738,559,430	100.00 %
Tax rate per $1,000 of assessed valuation	$75.72		$75.72	

No assurance is provided on these financial statements.

Note 9 – Tax Abatements

School District property taxes were reduced as follows under Community Reinvestment Area (CRA) agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2019 Taxes Abated
Community Reinvestment Areas:	
City of Bedford	$141,494
Village of Oakwood	500,663
Village of Walton Hills	16,945

Pursuant to Section 5709.82 of the Ohio Revised Code, the overlapping governments and the Bedford City School District created various CRA compensation agreements. The following are the required amounts of income tax dollars received by the School District in fiscal year 2019:

Overlapping Government	Fiscal Year 2019 Income Tax Dollars Received
City of Bedford	$29,215
Village of Oakwood	103,365
Total	$132,580

Note 10 – Other Employee Benefits

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), 370 days for administrators and administrative assistants hired before July 1, 2016 and 340 days for administrative assistants hired after July 1, 2016. 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, 55 days for administrators and 30 days for administrative assistants, plus one-tenth of the days remaining. The maximum number of days to be paid out is 63.5 days for certificated staff, 86.5 days for administrators, 64 days for administrative assistants hired before July 1, 2016 and 61 days for administrative assistants hired after July 1, 2016. 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.

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, 2019, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 11 - Interfund Transfers and Balances

Interfund Transfers

The general fund transferred $119,900 to the district managed student activities special revenue fund to provide financial support for the School District’s athletics, $167,155 to the permanent improvement capital projects fund to help fund capital improvements, $150,000 to the capital replacement capital projects fund for bus purchases and $50,000 to the self-insurance internal service fund to provide financial support for the School District’s insurance expenses. The bond retirement fund transferred $30,323 to the general fund, $20,758 to the permanent improvement capital projects fund, and $6,690 to the capital replacement capital projects fund to pay for the respective funds’ portions of the tax anticipation note payments.

Interfund Balances

Interfund balances at June 30, 2019, consist of the following individual fund receivables and payables:

	Interfund Receivable
Interfund Payable	General
Other Governmental Funds	
Other Grants	$100,000
Public School Preschool	60,000
Miscellaneous State Grants	1,000
Title VI-B	275,000
Vocational Education	125,000
Title III	16,000
Title I	750,000
Preschool Handicapped	36,000
Title VI-R	141,000
Miscellaneous Federal Grants	35,000
Building	1,400,000
Grand Total	$2,939,000

The interfund receivables and payables are advances due to the timing of the receipt of grant monies and other monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. These advances are expected to be repaid within the next fiscal year.

Note 12 - Capital Assets

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

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$2,225,500	$36,000	$0	$2,261,500
Capital Assets, being depreciated:				
Buildings and Improvements	43,876,049	354,812	(20,000)	44,210,861
Furniture and Equipment	7,022,851	74,492	(23,933)	7,073,410
Vehicles	5,558,792	315,366	(128,579)	5,745,579
Total Capital Assets, being depreciated	56,457,692	744,670	(172,512)	57,029,850
Less Accumulated Depreciation:				
Buildings and Improvements	(31,030,559)	(1,051,602)	15,027	(32,067,134)
Furniture and Equipment	(4,985,461)	(307,524)	23,455	(5,269,530)
Vehicles	(3,427,763)	(274,153)	126,007	(3,575,909)
Total Accumulated Depreciation	(39,443,783)	(1,633,279) *	164,489	(40,912,573)
Total Capital Assets, being depreciated, net	17,013,909	(888,609)	(8,023)	16,117,277
Governmental Activities Capital Assets, Net	$19,239,409	($852,609)	($8,023)	$18,378,777

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	$293,280
Special	5,816
Vocational	15,208
Support Services	
Pupil	1,709
Instructional Staff	20,399
Administration	500
Fiscal	629
Business	153,507
Operation and Maintenance of Plant	675,810
Pupil Transportation	240,604
Central	3,590
Operation of Non-Instructional Services:	
Food Service Operations	20,553
Other Non-Instructional Services	39,666
Extracurricular Activities	162,008
Total Depreciation Expense	$1,633,279

Note 13 - 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, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the 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 14 - 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 2019, 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 $154,866,362 with a $5,000 deductible. The policy is renewable on July 1, 2019, for each coverage. Casualty and fleet insurance coverage was provided with a combined single limit of $1 million. Education and umbrella liability insurance coverage was provided with a combined single limit of $9 million each occurrence and combined aggregate of $9 million. Cyber risk insurance coverage was provided through Great American Insurance Group in the amount of $1,000,000 with a $2,500 deductible. The Treasurer is covered by a $50,000 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 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program, an insurance purchasing pool (Note 17). 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 elected to provide employee hospitalization/medical and prescription drug benefits through a self insurance program. The School District maintained a self insurance internal service fund to account for and finance its uninsured risk of loss of this program. A third party administrator, Cigna, reviewed and paid all claims for fiscal year 2019. The School District paid into the self insurance fund a premium that is paid by the fund that pays the salary for the employee and is based on historical cost information. Effective January 1, 2019, the School District is no longer self insured. The School District intends to use up the balance in the self insurance internal service fund to pay off any remaining claims as well as future monthly insurance premiums.

The claims liability of $32,528 reported in the self insurance fund at June 30, 2019, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs related 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
2018	$276,500	$4,226,416	$4,231,616	$271,300
2019	271,300	1,714,335	1,953,107	32,528

Effective January 1, 2019, the School District elected to provide employee hospitalization/medical benefits and prescription drug benefits through a fully funded program with Medical Mutual. Employees pay 13 percent of the monthly premium. If an employee receives a wellness physical, then the employee percentage contribution is reduced by one percent.

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.

Note 15 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

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 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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $1,171,623 for fiscal year 2019. Of this amount $66,514 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 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.

No assurance is provided on these financial statements.

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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was $2,863,764 for fiscal year 2019. Of this amount $392,122 is reported as an intergovernmental payable.

No assurance is provided on these financial statements.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.25461410%	0.17926494%	
Prior Measurement Date	0.27472640%	0.18152248%	
Change in Proportionate Share	-0.02011230%	-0.00225754%	
Proportionate Share of the Net Pension Liability	$14,582,221	$39,416,336	$53,998,557
Pension Expense	$726,345	$3,329,819	$4,056,164

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$799,743	$909,850	$1,709,593
Changes of assumptions	329,298	6,985,318	7,314,616
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	139,264	64,541	203,805
School District contributions subsequent to the measurement date	1,171,623	2,863,764	4,035,387
Total Deferred Outflows of Resources	2,439,928	10,823,473	13,263,401
Deferred Inflows of Resources			
Differences between expected and actual experience	0	257,413	257,413
Net difference between projected and actual earnings on pension plan investments	404,029	2,390,163	2,794,192
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	689,329	1,459,970	2,149,299
Total Deferred Inflows of Resources	$1,093,358	$4,107,546	$5,200,904

No assurance is provided on these financial statements.

$4,035,387 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$691,410	$2,924,008	$3,615,418
2021	85,998	1,751,792	1,837,790
2022	(478,549)	(212,008)	(690,557)
2023	(123,912)	(611,629)	(735,541)
Total	$174,947	$3,852,163	$4,027,110

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 average 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.

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$20,540,158	$14,582,221	$9,586,890

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that 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. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$57,562,369	$39,416,336	$24,058,180

Note 16 - Defined Benefit OPEB Plans

See Note 15 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

No assurance is provided on these financial statements.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. 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 2019, the School District's surcharge obligation was $111,017.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $154,410 for fiscal year 2019. Of this amount $113,480 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.25387430%	0.17926494%	
Prior Measurement Date	0.27228350%	0.18152248%	
Change in Proportionate Share	-0.01840920%	-0.00225754%	
Proportionate Share of the:			
Net OPEB Liability	$7,043,158	$0	$7,043,158
Net OPEB (Asset)	$0	($2,880,604)	($2,880,604)
OPEB Expense	$254,557	($6,305,881)	($6,051,324)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$114,969	$336,459	$451,428
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	7,309	0	7,309
School District contributions subsequent to the measurement date	154,410	0	154,410
Total Deferred Outflows of Resources	$276,688	$336,459	$613,147
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$167,833	$167,833
Changes of assumptions	632,775	3,925,051	4,557,826
Net difference between projected and actual earnings on OPEB plan investments	10,567	329,085	339,652
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	538,658	303,013	841,671
Total Deferred Inflows of Resources	$1,182,000	$4,724,982	$5,906,982

$154,410 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	($352,942)	($789,383)	($1,142,325)
2021	(297,715)	(789,383)	(1,087,098)
2022	(122,837)	(789,385)	(912,222)
2023	(118,339)	(714,648)	(832,987)
2024	(119,071)	(688,423)	(807,494)
Thereafter	(48,818)	(617,301)	(666,119)
Total	($1,059,722)	($4,388,523)	($5,448,245)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	$8,546,320	$7,043,158	$5,852,937

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	$5,682,537	$7,043,158	$8,844,866

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	($2,468,948)	($2,880,604)	($3,226,582)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	($3,204,052)	($2,880,604)	($2,549,072)

Note 17 - 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.

Note 18 - 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, 2018	$0
Current Year Set-aside Requirement	554,898
Current Year Offsets	(329,754)
Qualifying Disbursements	(2,309,644)
Totals	($2,084,500)
Set-aside Balance Carried Forward to Future Fiscal Years	$0
Set-aside Balances as of June 30, 2019	$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 19 – Notes Payable

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

	Outstanding 6/30/2018	Issued	Retired	Outstanding 6/30/2019
Governmental Activities				
Tax Anticipation Notes, Series 2014	$59,454	$0	($59,454)	$0
Tax Anticipation Notes, Series 2016	306,273	0	(102,000)	204,273
Total Governmental Activities	$365,727	$0	($161,454)	$204,273

In fiscal year 2014, the School District issued $297,454 in tax anticipation notes for capital projects. The notes were 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:

	Principal	Interest	Total
2020	$102,000	$4,086	$106,086
2021	102,273	2,045	104,318
Total	$204,273	$6,131	$210,404

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.

No assurance is provided on these financial statements.

Note 20 - 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
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 6/30/18	Additions	(Reductions)	Principal Outstanding 6/30/19	Amount Due in One Year
Governmental Activities:					
Energy Conservation Improvement Bonds	$880,843	$0	($281,883)	$598,960	$293,456
Other Long Term Obligations:					
Net Pension Liability:					
SERS	16,414,296	0	(1,832,075)	14,582,221	0
STRS	43,121,054	0	(3,704,718)	39,416,336	0
Total Net Pension Liability	59,535,350	0	(5,536,793)	53,998,557	0
Net OPEB Liability:					
SERS	7,307,374	0	(264,216)	7,043,158	0
STRS	7,082,337	0	(7,082,337)	0	0
Total OPEB Liability	14,389,711	0	(7,346,553)	7,043,158	0
Compensated Absences	4,711,147	1,968,812	(1,890,708)	4,789,251	1,819,380
Total Other Long Term Obligation	78,636,208	1,968,812	(14,774,054)	65,830,966	1,819,380
Total Governmental Activities	$79,517,051	$1,968,812	($15,055,937)	$66,429,926	$2,112,836

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

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, title VI-B, title I and title VI-R special revenue funds. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension contributions are made from the general fund and the food service, district managed student activities, public school preschool, title VI-B and title I special revenue funds. For additional information related to the net pension and net OBEB liabilities see Notes 15 and 16.

The overall legal debt margin of the School District as of June 30, 2019, was $65,879,772 with an unvoted legal debt margin of $737,943. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2019, are as follows:

No assurance is provided on these financial statements.

	Energy Conservation Improvement Bonds	
	Principal	Interest
2020	$293,456	$24,591
2021	305,504	12,543
Total	$598,960	$37,134

Note 21 - Jointly Governed Organizations

Connect

Connect is a jointly governed organization comprised of twenty-six 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 2019, the School District paid $117,025 to Connect.

Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among 249 members. 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 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 2019, the School District paid $764 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. Constellation New Energy was the supplier and program manager for the period from July 1, 2018 through June 30, 2019 and again from July 1, 2019 through June 30, 2022. There are currently 163 participants in the program. The participants make monthly payments based on the previous year's usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more than their actual usage can use their credit on future billings or request a refund. Districts that did not pay enough on estimated billings are invoiced for the difference on their October or November monthly bill.

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 $0.0518 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 22 – Significant Commitments

Contractual Commitments

As of June 30, 2019, the School District had one contract outstanding for the Garage Stream Restoration project in the amount of $80,000.

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:

General	$1,153,981
Other Governmental Funds	289,144
Internal Service	1,351
Total	$1,444,476

Note 23 – Change in Accounting Principle

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*,

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Note 24 – Subsequent Events

On November 8, 2019, the School District issued $2,400,000 in tax anticipation notes at a rate of 2.34 percent. The tax anticipation notes were issued for the purpose of paying costs of general permanent improvements. The notes were issued for a ten year period with final maturity at December 1, 2029.

On November 8, 2019, the School District issued $500,000 in real estate improvement bonds at a rate of 2.34 percent. The real estate improvement bonds were issued for the purpose of improving real property by abating facilities thereon, clearing facilities therefrom and otherwise preparing the same for School District use. The bonds were issued for a ten year period with final maturity at December 1, 2029.

Required Supplementary Information

Bedford City School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Six Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.25461410%	0.27472640%	0.26957880%
School District's Proportionate Share of the Net Pension Liability	$14,582,221	$16,414,296	$19,730,682
School District's Covered Payroll	$8,569,341	$8,554,100	$8,825,571
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	170.17%	191.89%	223.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

No assurance is provided on these financial statements.

2016	2015	2014
0.27142040%	0.27752900%	0.27752900%
$15,487,511	$14,045,584	$16,503,759
$8,203,703	$8,159,191	$7,988,321
188.79%	172.14%	206.60%
69.16%	71.70%	65.52%

No assurance is provided on these financial statements.

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.25387430%	0.27228350%	0.26967680%
School District's Proportionate Share of the Net OPEB Liability	$7,043,158	$7,307,374	$7,686,786
School District's Covered Payroll	$8,569,341	$8,554,100	$8,825,571
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	82.19%	85.43%	87.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

No assurance is provided on these financial statements.

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

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.17926494%	0.18152248%	0.18734875%
School District's Proportionate Share of the Net Pension Liability	$39,416,336	$43,121,054	$62,711,275
School District's Covered Payroll	$20,343,907	$20,027,343	$19,176,686
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.75%	215.31%	327.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

No assurance is provided on these financial statements.

2016	2015	2014
0.18712752%	0.18588748%	0.18588748%
$51,716,575	$45,214,269	$53,858,941
$19,570,471	$19,579,223	$19,212,138
264.26%	230.93%	280.34%
72.10%	74.70%	69.30%

No assurance is provided on these financial statements.

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

	2019	2018	2017
School District's Proportion of the Net OPEB Asset/Liability	0.17926494%	0.18152248%	0.18734875%
School District's Proportionate Share of the Net OPEB (Asset)/Liability	($2,880,604)	$7,082,337	$10,019,460
School District's Covered Payroll	$20,343,907	$20,027,343	$19,176,686
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	-14.16%	35.36%	52.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

No assurance is provided on these financial statements.

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

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	$1,171,623	$1,156,861	$1,197,574	$1,235,580
Contributions in Relation to the Contractually Required Contribution	(1,171,623)	(1,156,861)	(1,197,574)	(1,235,580)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$8,678,689	$8,569,341	$8,554,100	$8,825,571
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	154,410	160,319	118,334	121,391
Contributions in Relation to the Contractually Required Contribution	(154,410)	(160,319)	(118,334)	(121,391)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	1.78%	1.87%	1.38%	1.38%
Total Contributions as a Percentage of Covered Payroll (2)	15.28%	15.37%	15.38%	15.38%

(1) The School District's covered payroll is the same for Pension and OPEB.
(2) Includes Surcharge

See accompanying notes to the required supplementary information

No assurance is provided on these financial statements.

2015	2014	2013	2012	2011	2010
$1,081,248	$1,130,864	$1,105,584	$1,083,749	$1,014,939	$764,140
(1,081,248)	(1,130,864)	(1,105,584)	(1,083,749)	(1,014,939)	(764,140)
$0	$0	$0	$0	$0	$0
$8,203,703	$8,159,191	$7,988,321	$8,057,614	$8,074,293	$5,643,576
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
178,291	101,587	118,397	158,294	240,504	182,998
(178,291)	(101,587)	(118,397)	(158,294)	(240,504)	(182,998)
$0	$0	$0	$0	$0	$0
2.17%	1.25%	1.48%	1.96%	2.98%	3.24%
15.35%	15.11%	15.32%	15.41%	15.55%	16.78%

No assurance is provided on these financial statements.

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

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	$2,863,764	$2,848,147	$2,803,828	$2,684,736
Contributions in Relation to the Contractually Required Contribution	(2,863,764)	(2,848,147)	(2,803,828)	(2,684,736)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$20,455,457	$20,343,907	$20,027,343	$19,176,686
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

No assurance is provided on these financial statements.

2015	2014	2013	2012	2011	2010
$2,739,866	$2,545,299	$2,497,578	$2,460,983	$2,469,571	$2,518,241
(2,739,866)	(2,545,299)	(2,497,578)	(2,460,983)	(2,469,571)	(2,518,241)
$0	$0	$0	$0	$0	$0
$19,570,471	$19,579,223	$19,212,138	$18,930,638	$18,996,700	$19,371,085
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$0	$195,792	$192,121	$189,306	$189,967	$193,711
0	(195,792)	(192,121)	(189,306)	(189,967)	(193,711)
$0	$0	$0	$0	$0	$0
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

No assurance is provided on these financial statements.

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

No assurance is provided on these financial statements.

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.