

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018***



# OHIO AUDITOR OF STATE KEITH FABER



Board of Education  
Grandview Heights City School District  
1587 West Third Avenue  
Columbus, Ohio 43212

We have reviewed the *Independent Auditor's Report* of the Grandview Heights City School District, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

February 21, 2019

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Grandview Heights City School District  
Franklin County  
1587 West Third Avenue  
Columbus, Ohio 43212

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grandview Heights City School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Grandview Heights City School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Grandview Heights City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Grandview Heights City School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grandview Heights City School District, Franklin County, Ohio, as of June 30, 2018, and the respective changes in the financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during fiscal year 2018, the Grandview Heights City School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, schedules of net pension and other postemployment benefit liabilities and pension and other postemployment benefits contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018, on our consideration of the Grandview Heights City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Grandview Heights City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 16, 2018



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- In total, net position increased \$12,239,325 from 2017 as restated. Net position of governmental activities increased \$12,225,954, which represents a 95.13% increase from 2017 as restated. Business-type activities net position increased \$13,371 from 2017 as restated.
- General revenues accounted for \$19,991,874 in revenue or 94.32% of governmental activities revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$1,205,008 or 5.68% of governmental activities revenues.
- The District had \$8,945,928 in expenses related to governmental activities; only \$1,205,008 of these expenses was offset by program specific charges for services, operating grants or contributions resulting in a net cost of \$7,740,920 for the District. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,991,874 was adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$19,231,799 in revenues and \$17,632,364 in expenditures and other financing uses. During fiscal 2018, the general fund's fund balance increased \$1,599,435 from a balance of \$10,007,298 to \$11,606,733.
- The business-type activities net position which include the child care and food service enterprise operations increased \$13,371 on \$878,482 in expenses and \$866,853 in revenues. The business-type activities food service operations also received \$25,000 in transfers in from governmental activities in fiscal year 2018.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. 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 District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

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

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

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant and extracurricular activities.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's child care and food service operations are reported as business-type activities.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental funds and the analysis of the District's major and nonmajor enterprise funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general 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.

*Proprietary Funds*

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Reporting the District's Fiduciary Responsibilities**

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of assets and liabilities. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

The required supplementary information provides detailed information regarding the District's proportionate share of the net pension liability and net OPEB liability of the retirement systems and a ten year schedule of District's contributions to the retirement systems to fund pension and OPEB obligations.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**The District as a Whole**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2018	Restated 2017	2018	Restated 2017
<b><u>Assets</u></b>				
Current and other assets	\$ 26,354,942	\$ 24,371,737	\$ 461,776	\$ 555,065
Capital assets, net	10,209,592	10,392,206	77,598	83,352
Total assets	<u>36,564,534</u>	<u>34,763,943</u>	<u>539,374</u>	<u>638,417</u>
<b><u>Deferred outflows of resources</u></b>				
Pension	6,639,789	5,558,519	209,892	215,661
OPEB	220,292	33,801	40,209	7,301
Total deferred outflows	<u>6,860,081</u>	<u>5,592,320</u>	<u>250,101</u>	<u>222,962</u>
<b><u>Liabilities</u></b>				
Current liabilities	2,341,278	2,534,209	113,193	137,612
Long-term liabilities:				
Due within one year	879,141	856,613	3,896	5,453
Due in more than one year:				
Net pension liability	22,112,601	31,172,980	848,855	954,834
Net OPEB liability	4,655,722	6,020,071	387,780	377,078
Other amounts	1,636,342	2,375,791	7,128	6,340
Total liabilities	<u>31,625,084</u>	<u>42,959,664</u>	<u>1,360,852</u>	<u>1,481,317</u>
<b><u>Deferred inflows of resources</u></b>				
Property taxes and PILOTS	10,262,314	9,770,887	-	-
Pensions	1,519,505	478,004	50,581	58,271
OPEB	644,050	-	42,880	-
Total deferred inflows	<u>12,425,869</u>	<u>10,248,891</u>	<u>93,461</u>	<u>58,271</u>
<b><u>Net Position</u></b>				
Net investment in capital assets	8,754,592	8,227,206	77,598	83,352
Restricted	1,716,509	1,493,197	-	-
Unrestricted (deficit)	<u>(11,097,439)</u>	<u>(22,572,695)</u>	<u>(742,436)</u>	<u>(761,561)</u>
Total net position (deficit)	<u>\$ (626,338)</u>	<u>\$ (12,852,292)</u>	<u>\$ (664,838)</u>	<u>\$ (678,209)</u>

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

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

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017 in the governmental activities, from a deficit of \$6,866,022 to a deficit of \$12,852,292 and in the business-type activities from a deficit of \$308,432 to a deficit of \$678,209.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

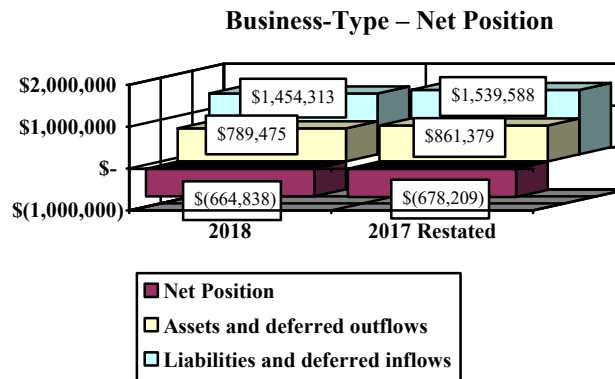
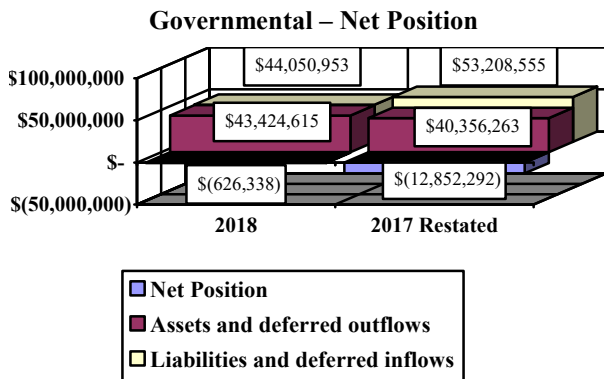
Current and other assets increased as cash receipts continue to exceed cash disbursements in fiscal year 2018 resulting in increased cash and cash equivalents at year end. Long-term liabilities decreased as a result of a decrease in the net pension liability and net OPEB liability discussed above. Specific factors affecting the net pension liability and net OPEB liability include the District’s contributions to the pension systems (STRS and SERS) subsequent to the measurement date of the liability, expected versus actual experience of the pension systems, projected versus actual earnings on pension plan investments, and changes of assumptions. These factors are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it’s the pension systems that collect, hold and distribute pensions to District employees, not the District.

Over time, net position can serve as a useful indicator of a District’s financial position. At June 30, 2018, the District’s liabilities plus deferred inflows of resources exceeded assets and deferred outflows by \$1,291,176. Of this total, \$1,716,509 is restricted in use.

At year-end, capital assets represented 27.73% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2018, was \$8,832,190. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District’s net position, \$1,716,509, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$11,839,875. Of the unrestricted net position, a deficit of \$11,097,439 is reported in the governmental activities and a deficit of \$742,436 is reported in the business type activities.

The graphs below show the assets, liabilities plus deferred inflows and net position of the governmental activities and business-type activities at June 30, 2018 and 2017.



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 704,403	\$ 740,260	\$ 803,756	\$ 835,899	\$ 1,508,159	\$ 1,576,159
Operating grants and contributions	500,605	539,721	63,097	57,005	563,702	596,726
General revenues:						
Property taxes	15,615,811	15,440,180	-	-	15,615,811	15,440,180
Payments in lieu of taxes	885,986	775,283	-	-	885,986	775,283
Grants and entitlements	3,281,811	3,708,365	-	-	3,281,811	3,708,365
Investment earnings	117,242	35,867	-	-	117,242	35,867
Other	91,024	185,005	-	6	91,024	185,011
<b>Total revenues</b>	<b>21,196,882</b>	<b>21,424,681</b>	<b>866,853</b>	<b>892,910</b>	<b>22,063,735</b>	<b>22,317,591</b>
<b>Expenses</b>						
Program expenses:						
Instruction:						
Regular	3,449,803	9,129,388	-	-	3,449,803	9,129,388
Special	958,206	2,469,710	-	-	958,206	2,469,710
Other	224	3,072	-	-	224	3,072
Support services:						
Pupil	559,062	1,298,647	-	-	559,062	1,298,647
Instructional staff	748,213	1,461,748	-	-	748,213	1,461,748
Board of education	125,208	216,934	-	-	125,208	216,934
Administration	759,155	1,651,691	-	-	759,155	1,651,691
Fiscal	349,022	631,559	-	-	349,022	631,559
Business	65,640	123,346	-	-	65,640	123,346
Operations and maintenance	1,188,147	2,012,315	-	-	1,188,147	2,012,315
Pupil transportation	-	19,912	-	-	-	19,912
Central	52,042	89,695	-	-	52,042	89,695
Operation of non-instructional services	4,539	4,542	-	-	4,539	4,542
Extracurricular activities	598,986	1,540,488	-	-	598,986	1,540,488
Interest and fiscal charges	87,681	122,879	-	-	87,681	122,879
Food service	-	-	273,014	312,583	273,014	312,583
Child care	-	-	605,468	476,316	605,468	476,316
<b>Total expenses</b>	<b>8,945,928</b>	<b>20,775,926</b>	<b>878,482</b>	<b>788,899</b>	<b>9,824,410</b>	<b>21,564,825</b>
Transfers	(25,000)	(40,000)	25,000	40,000	-	-
Changes in net position	12,225,954	608,755	13,371	144,011	12,239,325	752,766
Net position (deficit) at beginning of year (restated)	(12,852,292)	N/A	(678,209)	N/A	(13,530,501)	N/A
<b>Net position (deficit) at end of year</b>	<b>\$ (626,338)</b>	<b>\$ (12,852,292)</b>	<b>\$ (664,838)</b>	<b>\$ (678,209)</b>	<b>\$ (1,291,176)</b>	<b>\$ (13,530,501)</b>

**Governmental Activities**

For fiscal year 2018, the net position of the District's governmental activities increased \$12,225,954 from 2017 as restated. Total governmental expenses of \$8,945,928 were offset by program revenues of \$1,205,008 and general revenues of \$19,991,874. Program revenues supported 13.47% of the total governmental expenses.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$33,801 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$862,972. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 8,945,928
Negative OPEB expense under GASB 75	862,972
2018 contractually required contributions	<u>43,818</u>
Adjusted 2018 program expenses	9,852,718
Total 2017 program expenses under GASB 45	<u>20,775,926</u>
Decrease in program expenses not related to OPEB	<u>\$ (10,923,208)</u>

Expenses of the governmental activities decreased \$11,829,998 or 56.94%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$7,581,574) in pension expense and (\$862,972) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities. To assess fluctuations in program expenses, the increase or decrease in pension expense should be factored into the analysis. Pension expense, by function, for 2018 and 2017 is as follows:

	2018 Pension Expense	2017 Pension Expense	Increase (Decrease)
<b>Governmental activities:</b>			
Program expenses:			
Instruction:			
Regular	\$ (3,834,660)	\$ 1,141,798	\$ (4,976,458)
Special	(996,424)	295,370	(1,291,794)
Other	(624)	553	(1,177)
Support services:			
Pupil	(523,591)	143,608	(667,199)
Instructional staff	(572,320)	157,749	(730,069)
Board of education	(4,856)	1,554	(6,410)
Administration	(668,523)	181,657	(850,180)
Fiscal	(155,197)	43,574	(198,771)
Operations and maintenance	(455,500)	125,965	(581,465)
Central	(31,254)	8,777	(40,031)
Extracurricular activities	<u>(338,625)</u>	<u>94,660</u>	<u>(433,285)</u>
Total governmental activities	<u>\$ (7,581,574)</u>	<u>\$ 2,195,265</u>	<u>\$ (9,776,839)</u>
<b>Business-type activities:</b>			
Child care	\$ (23,544)	\$ 55,629	\$ (79,173)
Food service	<u>(17,683)</u>	<u>22,288</u>	<u>(39,971)</u>
Total business-type activities	<u>\$ (41,227)</u>	<u>\$ 77,917</u>	<u>\$ (119,144)</u>
Total pension expense	<u>\$ (7,622,801)</u>	<u>\$ 2,273,182</u>	<u>\$ (9,895,983)</u>

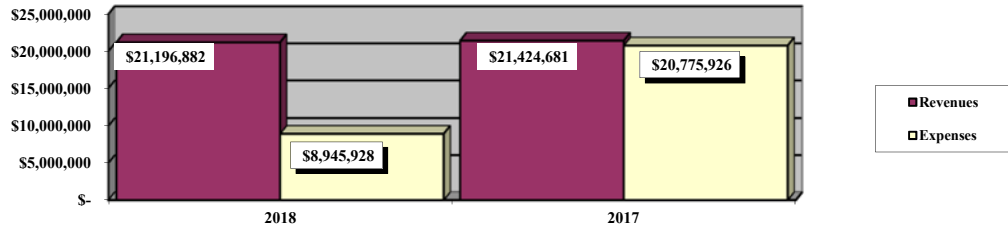


**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

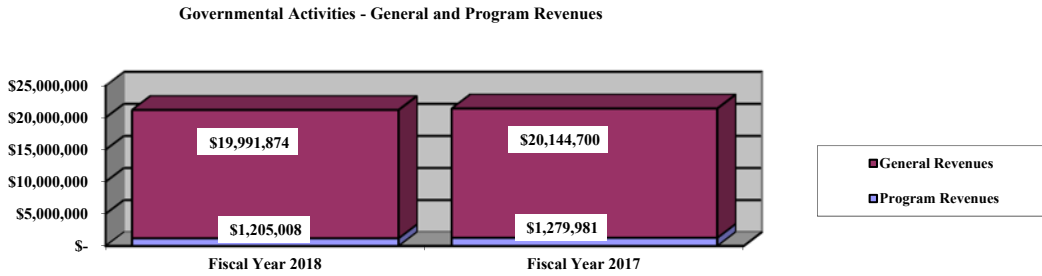
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses:				
Instruction:				
Regular	\$ 3,449,803	\$ 3,066,337	\$ 9,129,388	\$ 8,782,973
Special	958,206	514,896	2,469,710	2,001,834
Vocational	-	(1,362)	-	(1,484)
Other	224	224	3,072	3,072
Support services:				
Pupil	559,062	549,356	1,298,647	1,298,647
Instructional staff	748,213	726,531	1,461,748	1,457,237
Board of education	125,208	125,208	216,934	216,934
Administration	759,155	759,155	1,651,691	1,651,691
Fiscal	349,022	349,022	631,559	631,252
Business	65,640	33,432	123,346	34,002
Operations and maintenance	1,188,147	1,112,839	2,012,315	1,935,690
Pupil transportation	-	-	19,912	16,534
Central	52,042	52,042	89,695	89,695
Operation of non-instructional services	4,539	4,539	4,542	(13,702)
Extracurricular activities	598,986	361,020	1,540,488	1,268,691
Interest and fiscal charges	87,681	87,681	122,879	122,879
<b>Total expenses</b>	<b>\$ 8,945,928</b>	<b>\$ 7,740,920</b>	<b>\$ 20,775,926</b>	<b>\$ 19,495,945</b>

The dependence upon tax revenues during fiscal year 2018 for governmental activities is apparent, as 81.21% of 2018 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.53%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, are the primary support for District students.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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



**Business-type Activities**

Business-type activities include food service operations and the child care program. These programs had revenues of \$866,853, transfers in of \$25,000 and expenses of \$878,482 for fiscal year 2018. Management reviews these programs to develop policies to allow these services to become self-supporting.

The District's largest business-type activity is child care operations. Child care operations had \$583,607 in charges for services and sales and had total expenses of \$605,468. Child care revenues were not sufficient to support child care expenses by \$21,861.

**The District's Funds**

**Governmental Funds**

The District's governmental funds (as presented on the Balance Sheet on page 20) reported a combined fund balance of \$13,335,380, which is more than last year's fund total of \$11,564,443.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	<u>Fund Balance June 30, 2018</u>	<u>Fund Balance June 30, 2017</u>	<u>Change</u>
General	\$ 11,606,733	\$ 10,007,298	\$ 1,599,435
Other governmental	1,728,647	1,557,145	171,502
Total	<u>\$ 13,335,380</u>	<u>\$ 11,564,443</u>	<u>\$ 1,770,937</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**General Fund**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Property taxes and payment in lieu of taxes	\$ 15,383,681	\$ 14,967,826	\$ 415,855	2.78 %
Intergovernmental	3,136,942	3,653,820	(516,878)	(14.15) %
Investment earnings	117,242	35,867	81,375	226.88 %
Tuition and fees	331,517	298,968	32,549	10.89 %
Other revenues	<u>262,417</u>	<u>383,552</u>	<u>(121,135)</u>	<u>(31.58) %</u>
Total	<u>\$ 19,231,799</u>	<u>\$ 19,340,033</u>	<u>\$ (108,234)</u>	<u>(0.56) %</u>

Property tax and payment in lieu of taxes revenue increased due to increased assessed value of property within the District and due to increased PILOT revenue associated the compensation agreement between the District and the City of Grandview Heights. Investment earnings increased due to the improving economy and increased interest rates. Other revenues decreased as a result of a decrease in reimbursements. Tuition and fees revenue increased due to increased all-day kindergarten enrollment. Intergovernmental revenues decreased mainly due to a decrease in State foundation payments. All other revenues remained consistent with the prior year and overall revenue decreased 0.56%.

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 10,072,634	\$ 10,173,689	\$ (101,055)	(0.99) %
Support services	6,679,273	6,759,102	(79,829)	(1.18) %
Extracurricular activities	728,369	761,221	(32,852)	(4.32) %
Facilities acquisition and construction	<u>123,398</u>	<u>182,362</u>	<u>(58,964)</u>	<u>(32.33) %</u>
Total	<u>\$ 17,603,674</u>	<u>\$ 17,876,374</u>	<u>\$ (272,700)</u>	<u>(1.53) %</u>

In total, expenditures decreased 1.53% from 2017. Facilities acquisition and construction costs decreased due to the District having completed a facility assessment and an educational visioning and planning process, which started in fiscal year 2017 and was completed early in fiscal year 2018.

**Nonmajor Governmental Funds**

The nonmajor governmental funds had \$2,054,121 in revenues and other financing sources and \$1,882,619 in expenditures. During fiscal 2018, the nonmajor governmental fund's fund balance increased \$171,502 from \$1,557,145 to \$1,728,647.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

***Enterprise Funds***

The District's enterprise funds reported operating revenues of \$803,756, operating expenses of \$878,482, nonoperating revenues of \$63,097, and a transfer in of \$25,000. Net position of the enterprise funds increased \$13,371 from a deficit of \$678,209, as restated, to a deficit of \$664,838. The Child Care Fund reported both an operating loss and a negative change in net position of \$21,861. The Food Service Fund (a nonmajor enterprise fund) reported an operating loss of \$52,865 and a positive change in net position of \$35,232.

**General Fund Budgeting Highlights**

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

For the General Fund, the original and final budgeted revenue was \$17,620,205. Actual revenue and other financing sources were \$19,269,713. The difference between the final budgeted revenues and the actual revenues and other financing sources was \$1,649,508.

Total actual expenditures and other financing uses on the budget basis (cash outlays plus encumbrances) were \$17,972,762. This amount was \$761,167 less than the final budgeted amounts due mainly to instruction expense being less than expected. The final budgeted expenditures and other financing uses were decreased \$24,000 from the original budgeted amounts. Overall, fund balance on the budget basis increased \$1,296,951 from the prior year.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2018, the District had \$10,287,190 invested in land, buildings and improvements, furniture and equipment and vehicles. Of this total, \$10,209,592 was reported in governmental activities and \$77,598 was reported in business-type activities. The following table shows fiscal 2018 balances compared to 2017:

**Capital Assets at June 30 (Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 137,400	\$ 137,400	\$ -	\$ -	\$ 137,400	\$ 137,400
Buildings and improvements	8,494,332	8,794,477	-	-	8,494,332	8,794,477
Furniture and equipment	1,448,665	1,310,776	77,598	83,352	1,526,263	1,394,128
Vehicles	129,195	149,553	-	-	129,195	149,553
<b>Total</b>	<b><u>\$ 10,209,592</u></b>	<b><u>\$ 10,392,206</u></b>	<b><u>\$ 77,598</u></b>	<b><u>\$ 83,352</u></b>	<b><u>\$ 10,287,190</u></b>	<b><u>\$ 10,475,558</u></b>

Overall capital assets, net of accumulated depreciation, decreased \$188,368 from fiscal year 2017 to fiscal year 2018. Capital outlays of \$376,484 were less than depreciation expense of \$564,359 and disposals of \$493 during the year. See Note 7 to the basic financial statements for more detail on the District's capital assets.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

***Debt Administration***

At June 30, 2018, the District has \$1,455,000 in long-term debt outstanding. Of this total, \$720,000 is due within one year and \$735,000 is due within greater than one year. The following table summarizes outstanding long-term debt:

**Outstanding Debt, at Year End**

	Governmental Activities 2018	Governmental Activities 2017
<b>Long Term Debt:</b>		
General obligation bonds	<u>\$ 1,455,000</u>	<u>\$ 2,165,000</u>
Total	<u>\$ 1,455,000</u>	<u>\$ 2,165,000</u>

Payments of principal and interest on the general obligation bonds are made from the Debt Service Fund. See Note 8 to the basic financial statements for more detail on the District's long-term obligations.

**Current Financial Related Activities**

*Grandview Yard*

Nationwide Realty Investors purchased the former Big Bear property and many other adjacent properties with the intention of constructing a major redevelopment project known as Grandview Yard. In July of 2009, the District entered into a compensation agreement with the City of Grandview Heights, which included two components of funding to be paid from this project to the District from the City. First, the District is guaranteed a "hold-harmless" amount, representing compensation for lost tax revenue as a result of decreased property values from demolition done during the initial phase of the project. Secondly, the District will receive an amount equal to 11% of all real property taxes that would have been received by all political subdivisions and taxing districts on the exempt value of all the parcels of the property used for non-residential purposes and between 15% and 60% for residential units depending on the number of units and year of assessment.

Since 2010, the District has received a total of \$5,416,579 for payment in lieu of taxes from the City of Grandview Heights. Of this total amount received, \$3,310,447 is hold-harmless funding, representing no increase in overall revenue to the District. The remaining \$2,106,132 represents increased funding to the District since the project began.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact: Beth Collier, Treasurer, at Grandview Heights City School District, 1587 West 3<sup>rd</sup> Avenue, Columbus, Ohio 43212.

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**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 9,305,961	\$ 427,017	\$ 9,732,978
Cash in segregated accounts . . . . .	10,033	-	10,033
Receivables:			
Property taxes . . . . .	15,817,787	-	15,817,787
Payment in lieu of taxes . . . . .	1,024,718	-	1,024,718
Accounts . . . . .	105,476	31,513	136,989
Intergovernmental . . . . .	62,154	-	62,154
Prepayments . . . . .	28,813	1,229	30,042
Materials and supplies inventory. . . . .	-	21	21
Inventory held for resale. . . . .	-	1,996	1,996
Capital assets:			
Nondepreciable capital assets . . . . .	137,400	-	137,400
Depreciable capital assets, net. . . . .	10,072,192	77,598	10,149,790
Capital assets, net . . . . .	10,209,592	77,598	10,287,190
Total assets. . . . .	36,564,534	539,374	37,103,908
<b>Deferred outflows of resources:</b>			
Pension (Note 14) . . . . .	6,639,789	209,892	6,849,681
OPEB (Note 15) . . . . .	220,292	40,209	260,501
Total deferred outflows of resources . . . . .	6,860,081	250,101	7,110,182
<b>Liabilities:</b>			
Accounts payable. . . . .	411,854	17,107	428,961
Accrued wages and benefits payable . . . . .	1,570,776	35,829	1,606,605
Intergovernmental payable . . . . .	93,838	451	94,289
Pension and postemployment benefits payable. . . . .	248,701	20,894	269,595
Accrued interest payable . . . . .	6,076	-	6,076
Unearned revenue . . . . .	-	38,912	38,912
Deposits held and due to others . . . . .	10,033	-	10,033
Long-term liabilities:			
Due within one year. . . . .	879,141	3,896	883,037
Due in more than one year:			
Net pension liability (Note 14) . . . . .	22,112,601	848,855	22,961,456
Net OPEB liability (Note 15) . . . . .	4,655,722	387,780	5,043,502
Other amounts due in more than one year . . . . .	1,636,342	7,128	1,643,470
Total liabilities . . . . .	31,625,084	1,360,852	32,985,936
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	9,237,596	-	9,237,596
Payment in lieu of taxes levied for the next fiscal year	1,024,718	-	1,024,718
Pension (Note 14) . . . . .	1,519,505	50,581	1,570,086
OPEB (Note 15) . . . . .	644,050	42,880	686,930
Total deferred inflows of resources . . . . .	12,425,869	93,461	12,519,330
<b>Net position:</b>			
Net investment in capital assets . . . . .	8,754,592	77,598	8,832,190
Restricted for:			
Capital projects . . . . .	609,058	-	609,058
Debt service. . . . .	1,107,451	-	1,107,451
Unrestricted (deficit) . . . . .	(11,097,439)	(742,436)	(11,839,875)
Total net position (deficit). . . . .	\$ (626,338)	\$ (664,838)	\$ (1,291,176)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 3,449,803	\$ 364,585	\$ 18,881
Special . . . . .	958,206	5,600	437,710
Vocational . . . . .	-	-	1,362
Other . . . . .	224	-	-
Support services:			
Pupil . . . . .	559,062	-	9,706
Instructional staff . . . . .	748,213	17,421	4,261
Board of education . . . . .	125,208	-	-
Administration . . . . .	759,155	-	-
Fiscal . . . . .	349,022	-	-
Business . . . . .	65,640	32,208	-
Operations and maintenance . . . . .	1,188,147	75,308	-
Central . . . . .	52,042	-	-
Operation of non-instructional services . . . . .	4,539	-	-
Extracurricular activities . . . . .	598,986	209,281	28,685
Interest and fiscal charges . . . . .	87,681	-	-
Total governmental activities . . . . .	8,945,928	704,403	500,605
<b>Business-type activities:</b>			
Child care . . . . .	605,468	583,607	-
Food service . . . . .	273,014	220,149	63,097
Total business-type activities . . . . .	878,482	803,756	63,097
Totals . . . . .	\$ 9,824,410	\$ 1,508,159	\$ 563,702

**General revenues:**

- Property taxes levied for:
  - General purposes . . . . .
  - Debt service . . . . .
  - Capital outlay . . . . .
- Payments in lieu of taxes . . . . .
- Grants and entitlements not restricted to specific programs . . . . .
- Investment earnings . . . . .
- Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Total general revenues and transfers . . . . .

Change in net position . . . . .

**Net position (deficit) at beginning of year (restated) .**

**Net position (deficit) at end of year. . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (3,066,337)	\$ -	\$ (3,066,337)
(514,896)	-	(514,896)
1,362	-	1,362
(224)	-	(224)
(549,356)	-	(549,356)
(726,531)	-	(726,531)
(125,208)	-	(125,208)
(759,155)	-	(759,155)
(349,022)	-	(349,022)
(33,432)	-	(33,432)
(1,112,839)	-	(1,112,839)
(52,042)	-	(52,042)
(4,539)	-	(4,539)
(361,020)	-	(361,020)
(87,681)	-	(87,681)
(7,740,920)	-	(7,740,920)
-	(21,861)	(21,861)
-	10,232	10,232
-	(11,629)	(11,629)
(7,740,920)	(11,629)	(7,752,549)
14,427,075	-	14,427,075
673,304	-	673,304
515,432	-	515,432
885,986	-	885,986
3,281,811	-	3,281,811
117,242	-	117,242
91,024	-	91,024
19,991,874	-	19,991,874
(25,000)	25,000	-
19,966,874	25,000	19,991,874
12,225,954	13,371	12,239,325
(12,852,292)	(678,209)	(13,530,501)
\$ (626,338)	\$ (664,838)	\$ (1,291,176)

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 7,902,544	\$ 1,403,417	\$ 9,305,961
Cash in segregated accounts . . . . .	10,033	-	10,033
Receivables:			
Property taxes . . . . .	14,615,811	1,201,976	15,817,787
Payment in lieu of taxes . . . . .	1,024,718	-	1,024,718
Accounts . . . . .	102,661	2,815	105,476
Interfund loans . . . . .	19,923	-	19,923
Intergovernmental . . . . .	42,631	19,523	62,154
Prepayments . . . . .	28,806	7	28,813
Total assets . . . . .	\$ 23,747,127	\$ 2,627,738	\$ 26,374,865
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 312,456	\$ 99,398	\$ 411,854
Accrued wages and benefits payable . . . . .	1,524,788	45,988	1,570,776
Intergovernmental payable . . . . .	93,171	667	93,838
Pension and postemployment benefits payable . . . . .	248,701	-	248,701
Interfund loans payable . . . . .	-	19,923	19,923
Deposits held and due to others . . . . .	10,033	-	10,033
Total liabilities . . . . .	2,189,149	165,976	2,355,125
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . .	8,535,172	702,424	9,237,596
Payment in lieu of taxes levied for the next fiscal year.	1,024,718	-	1,024,718
Delinquent property tax revenue not available . . .	373,202	30,691	403,893
Miscellaneous revenue not available . . . . .	18,153	-	18,153
Total deferred inflows of resources . . . . .	9,951,245	733,115	10,684,360
<b>Fund balances:</b>			
Nonspendable:			
Prepays . . . . .	28,806	7	28,813
Restricted:			
Debt service . . . . .	-	1,096,166	1,096,166
Capital improvements . . . . .	-	595,728	595,728
Extracurricular . . . . .	-	83,801	83,801
Assigned:			
Student instruction . . . . .	41,766	-	41,766
Student and staff support . . . . .	111,960	-	111,960
Extracurricular activities . . . . .	16,761	-	16,761
Facilities acquisition and construction . . . . .	34,984	-	34,984
School supplies . . . . .	113	-	113
Unassigned (deficit) . . . . .	11,372,343	(47,055)	11,325,288
Total fund balances . . . . .	11,606,733	1,728,647	13,335,380
Total liabilities, deferred inflows and fund balances .	\$ 23,747,127	\$ 2,627,738	\$ 26,374,865

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018

<b>Total governmental fund balances</b>		\$	13,335,380
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			10,209,592
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Delinquent property taxes receivable	\$	403,893	
Intergovernmental receivable		18,153	
Total		<u>422,046</u>	422,046
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(6,076)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		6,639,789	
Deferred inflows - Pension		(1,519,505)	
Net pension liability		(22,112,601)	
Total		<u>(16,992,317)</u>	(16,992,317)
The net OPEB liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - OPEB		220,292	
Deferred inflows - OPEB		(644,050)	
Net OPEB liability		(4,655,722)	
Total		<u>(5,079,480)</u>	(5,079,480)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(1,455,000)	
Compensated absences		(1,060,483)	
Total		<u>(2,515,483)</u>	(2,515,483)
<b>Net position (deficit) of governmental activities</b>		<u>\$</u>	<u>(626,338)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 14,497,695	\$ 1,200,676	\$ 15,698,371
Payment in lieu of taxes . . . . .	885,986	-	885,986
Tuition . . . . .	331,114	-	331,114
Earnings on investments . . . . .	117,242	-	117,242
Extracurricular . . . . .	-	204,281	204,281
Classroom materials and fees . . . . .	403	-	403
Rental income . . . . .	75,308	-	75,308
Contributions and donations . . . . .	5,000	28,685	33,685
Other local revenues . . . . .	182,109	-	182,109
Intergovernmental - state . . . . .	3,105,152	245,146	3,350,298
Intergovernmental - federal . . . . .	31,790	371,643	403,433
Total revenues . . . . .	<u>19,231,799</u>	<u>2,050,431</u>	<u>21,282,230</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	8,106,433	18,987	8,125,420
Special . . . . .	1,965,153	346,517	2,311,670
Other . . . . .	1,048	-	1,048
Support services:			
Pupil . . . . .	1,223,143	10,000	1,233,143
Instructional staff . . . . .	1,482,562	4,261	1,486,823
Board of education . . . . .	131,618	-	131,618
Administration . . . . .	1,625,367	-	1,625,367
Fiscal . . . . .	542,798	15,561	558,359
Business . . . . .	59,391	-	59,391
Operations and maintenance . . . . .	1,504,200	-	1,504,200
Pupil transportation . . . . .	14,872	-	14,872
Central . . . . .	95,322	-	95,322
Extracurricular activities . . . . .	728,369	269,095	997,464
Facilities acquisition and construction . . . . .	123,398	417,563	540,961
Debt service:			
Principal retirement . . . . .	-	710,000	710,000
Interest and fiscal charges . . . . .	-	90,635	90,635
Total expenditures . . . . .	<u>17,603,674</u>	<u>1,882,619</u>	<u>19,486,293</u>
Excess of revenues over expenditures . . . . .	<u>1,628,125</u>	<u>167,812</u>	<u>1,795,937</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	3,690	3,690
Transfers (out) . . . . .	(28,690)	-	(28,690)
Total other financing sources (uses) . . . . .	<u>(28,690)</u>	<u>3,690</u>	<u>(25,000)</u>
Net change in fund balances . . . . .	1,599,435	171,502	1,770,937
<b>Fund balances at beginning of year . . . . .</b>	<u>10,007,298</u>	<u>1,557,145</u>	<u>11,564,443</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 11,606,733</u>	<u>\$ 1,728,647</u>	<u>\$ 13,335,380</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<b>Net change in fund balances - total governmental funds</b>	\$	1,770,937
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 376,484	
Current year depreciation	<u>(558,605)</u>	
Total		(182,121)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(493)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property tax revenue	(82,560)	
Other local revenue	<u>(2,788)</u>	
Total		(85,348)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		710,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		2,954
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.		
		3,087
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,518,574
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		7,581,574
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		43,818
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		<u>862,972</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>12,225,954</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 12,977,587	\$ 12,977,587	\$ 14,401,917	\$ 1,424,330
Payment in lieu of taxes. . . . .	1,409,989	1,409,989	885,986	(524,003)
Tuition. . . . .	235,741	235,741	332,977	97,236
Earnings on investments . . . . .	16,474	16,474	106,993	90,519
Classroom materials and fees . . . . .	-	-	320	320
Rental income . . . . .	74,433	74,433	72,967	(1,466)
Contributions and donations . . . . .	500	500	-	(500)
Other local revenues . . . . .	33,935	33,935	262,667	228,732
Intergovernmental - state . . . . .	2,859,122	2,859,122	3,081,992	222,870
Intergovernmental - federal . . . . .	12,424	12,424	31,790	19,366
<b>Total revenues . . . . .</b>	<u>17,620,205</u>	<u>17,620,205</u>	<u>19,177,609</u>	<u>1,557,404</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,303,687	8,398,213	7,956,113	442,100
Special. . . . .	2,118,898	2,132,333	2,030,205	102,128
Other. . . . .	1,103	3,051	1,057	1,994
Support services:				
Pupil. . . . .	1,302,183	1,320,019	1,247,676	72,343
Instructional staff . . . . .	1,570,580	1,510,281	1,504,839	5,442
Board of education . . . . .	149,242	210,650	142,995	67,655
Administration. . . . .	1,727,705	1,653,752	1,655,387	(1,635)
Fiscal . . . . .	626,109	618,752	599,901	18,851
Business . . . . .	27,963	28,101	26,793	1,308
Operations and maintenance. . . . .	1,641,076	1,626,536	1,572,384	54,152
Pupil transportation . . . . .	17,344	20,288	16,618	3,670
Central. . . . .	93,266	89,666	89,362	304
Extracurricular activities. . . . .	796,321	796,355	762,989	33,366
Facilities acquisition and construction . . . .	206,620	210,932	197,971	12,961
<b>Total expenditures . . . . .</b>	<u>18,582,097</u>	<u>18,618,929</u>	<u>17,804,290</u>	<u>814,639</u>
Excess of revenues over (under) expenditures . .	<u>(961,892)</u>	<u>(998,724)</u>	<u>1,373,319</u>	<u>2,372,043</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	(116,133)	(95,000)	(111,272)	(16,272)
Advances in. . . . .	-	-	92,104	92,104
Advances (out) . . . . .	(59,699)	(20,000)	(57,200)	(37,200)
<b>Total other financing sources (uses) . . . . .</b>	<u>(175,832)</u>	<u>(115,000)</u>	<u>(76,368)</u>	<u>38,632</u>
Net change in fund balance . . . . .	(1,137,724)	(1,113,724)	1,296,951	2,410,675
<b>Fund balance at beginning of year . . . . .</b>	5,826,097	5,826,097	5,826,097	-
<b>Prior year encumbrances appropriated . . .</b>	405,305	405,305	405,305	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 5,093,678</u>	<u>\$ 5,117,678</u>	<u>\$ 7,528,353</u>	<u>\$ 2,410,675</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	<b>Child Care Fund</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total Business-Type Activities - Enterprise Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 403,984	\$ 23,033	\$ 427,017
<b>Receivables:</b>			
Accounts . . . . .	31,021	492	31,513
Prepayments . . . . .	903	326	1,229
Materials and supplies inventory. . . . .	-	21	21
Inventory held for resale . . . . .	-	1,996	1,996
Total current assets . . . . .	<u>435,908</u>	<u>25,868</u>	<u>461,776</u>
<b>Noncurrent assets:</b>			
Depreciable capital assets, net . . . . .	61,966	15,632	77,598
Total assets. . . . .	<u>497,874</u>	<u>41,500</u>	<u>539,374</u>
<b>Deferred outflows of resources:</b>			
Pension (Note 14) . . . . .	173,237	36,655	209,892
OPEB (Note 15) . . . . .	37,560	2,649	40,209
Total deferred outflows of resources . . . . .	<u>210,797</u>	<u>39,304</u>	<u>250,101</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	5,693	11,414	17,107
Accrued wages and benefits . . . . .	18,895	16,934	35,829
Compensated absences. . . . .	3,896	-	3,896
Pension and postemployment benefits payable. . . . .	13,978	6,916	20,894
Intergovernmental payable . . . . .	274	177	451
Unearned revenue . . . . .	26,681	12,231	38,912
Total current liabilities . . . . .	<u>69,417</u>	<u>47,672</u>	<u>117,089</u>
<b>Long-term liabilities:</b>			
Compensated absences payable. . . . .	-	7,128	7,128
Net pension liability (Note 14) . . . . .	637,335	211,520	848,855
Net OPEB liability (Note 15) . . . . .	291,152	96,628	387,780
Total long-term liabilities . . . . .	<u>928,487</u>	<u>315,276</u>	<u>1,243,763</u>
Total liabilities . . . . .	<u>997,904</u>	<u>362,948</u>	<u>1,360,852</u>
<b>Deferred inflows of resources:</b>			
Pension (Note 14) . . . . .	27,852	22,729	50,581
OPEB (Note 15) . . . . .	28,398	14,482	42,880
Total deferred inflows of resources . . . . .	<u>56,250</u>	<u>37,211</u>	<u>93,461</u>
<b>Net position:</b>			
Investment in capital assets . . . . .	61,966	15,632	77,598
Unrestricted (deficit) . . . . .	(407,449)	(334,987)	(742,436)
Total net position (deficit) . . . . .	<u>\$ (345,483)</u>	<u>\$ (319,355)</u>	<u>\$ (664,838)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Child Care Fund</b>	<b>Nonmajor Enterprise Fund</b>	<b>Total Business-Type Activities - Enterprise Funds</b>
<b>Operating revenues:</b>			
Charges for services. . . . .	\$ 583,607	\$ 220,149	\$ 803,756
<b>Operating expenses:</b>			
Personal services. . . . .	409,962	145,158	555,120
Purchased services. . . . .	9,415	7,171	16,586
Materials and supplies. . . . .	40,757	110,136	150,893
Other. . . . .	141,737	8,392	150,129
Depreciation. . . . .	3,597	2,157	5,754
Total operating expenses. . . . .	<u>605,468</u>	<u>273,014</u>	<u>878,482</u>
Operating (loss). . . . .	<u>(21,861)</u>	<u>(52,865)</u>	<u>(74,726)</u>
<b>Nonoperating revenues:</b>			
Grants and subsidies. . . . .	-	51,180	51,180
Federal donated commodities. . . . .	-	11,917	11,917
Total nonoperating revenues. . . . .	<u>-</u>	<u>63,097</u>	<u>63,097</u>
Income (loss) before before transfers. . . . .	(21,861)	10,232	(11,629)
Transfer in. . . . .	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Change in net position. . . . .	(21,861)	35,232	13,371
<b>Net position (deficit)</b>			
at beginning of year (restated). . . . .	<u>(323,622)</u>	<u>(354,587)</u>	<u>(678,209)</u>
<b>Net position (deficit) at end of year. . . . .</b>	<u>\$ (345,483)</u>	<u>\$ (319,355)</u>	<u>\$ (664,838)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Child Care Fund	Nonmajor Enterprise Fund	Total Business-Type Activities - Enterprise Funds
<b>Cash flows from operating activities:</b>			
Cash received from charges for services. . . . .	\$ 578,056	\$ 222,523	\$ 800,579
Cash payments for personal services. . . . .	(470,825)	(182,566)	(653,391)
Cash payments for purchased services . . . . .	(9,026)	(4,082)	(13,108)
Cash payments for materials and supplies . . . . .	(48,396)	(91,970)	(140,366)
Cash payments for other expenses . . . . .	(144,592)	(8,392)	(152,984)
Net cash used in operating activities . . . . .	(94,783)	(64,487)	(159,270)
<b>Cash flows from noncapital financing activities:</b>			
Cash received from grants and subsidies. . . . .	-	51,180	51,180
Cash received from transfers in . . . . .	-	25,000	25,000
Net cash provided by noncapital financing activities. . . . .	-	76,180	76,180
Net increase (decrease) in cash and cash equivalents . . . . .	(94,783)	11,693	(83,090)
Cash and cash equivalents at beginning of year . . . . .	498,767	11,340	510,107
Cash and cash equivalents at end of year . . . . .	<u>\$ 403,984</u>	<u>\$ 23,033</u>	<u>\$ 427,017</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating loss . . . . .	\$ (21,861)	\$ (52,865)	\$ (74,726)
Adjustments:			
Depreciation. . . . .	3,597	2,157	5,754
Federal donated commodities . . . . .	-	11,917	11,917
Changes in assets and liabilities:			
(Increase) in materials and supplies inventory . . . . .	-	(21)	(21)
(Increase) in inventory held for resale . . . . .	-	(1,996)	(1,996)
Decrease in accounts receivable. . . . .	11,545	696	12,241
(Increase) decrease in prepayments. . . . .	(57)	32	(25)
(Increase) decrease in deferred outflows - pension. . . . .	(20,016)	25,785	5,769
(Increase) in deferred outflows - OPEB. . . . .	(32,373)	(535)	(32,908)
Increase (decrease) in accounts payable . . . . .	(10,105)	11,355	1,250
(Decrease) in accrued wages and benefits . . . . .	(4,105)	(4,447)	(8,552)
(Decrease) in intergovernmental payable. . . . .	(60)	(40)	(100)
Increase (decrease) in compensated absences payable . . . . .	(1,557)	788	(769)
(Decrease) in pension and postemployment benefits payable. . . . .	(755)	(844)	(1,599)
(Decrease) in net pension liability . . . . .	(41,047)	(64,932)	(105,979)
Increase (decrease) in net OPEB liability . . . . .	23,249	(12,547)	10,702
Increase (decrease) in deferred inflows - pension. . . . .	(12,540)	4,850	(7,690)
Increase in deferred inflows - OPEB. . . . .	28,398	14,482	42,880
Increase (decrease) in unearned revenue . . . . .	(17,096)	1,678	(15,418)
Net cash used in operating activities. . . . .	<u>\$ (94,783)</u>	<u>\$ (64,487)</u>	<u>\$ (159,270)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2018

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . .	<u>\$ 72,923</u>
<b>Liabilities:</b>	
Due to students. . . . .	<u>\$ 72,923</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

The Grandview Heights City School District (the “District”) was organized on May 14, 1906. A special election on May 1, 1906 was held whereby L.D. Bonebrake, C.H. Walcutt, J.E. Hussey, S.M. Orwig and D.S. Field were selected as the first members of the Board of Education. The District continues to be governed by a five-member Board of Education (the Board) elected by the citizens of Grandview Heights and Marble Cliff.

The District is an independent political subdivision of the State of Ohio. It was created by the state to carry out the constitutional requirement to provide a system of public education. The constitution is silent as to how the public schools in Ohio are to be classified or organized, thus leaving it to legislative determination. The District is organized as a city school district according to Ohio Revised Code Section 3311.02. The District consists of the territory within the corporate limits of the City of Grandview Heights and the Village of Marble Cliff encompassing approximately 1.6 square miles.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

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

The following organizations are described due to their relationship to the District.

*JOINTLY GOVERNED ORGANIZATION*

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2018, the District paid META Solutions \$18,326 for services. Financial information can be obtained from Scott Armstrong, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

*JOINT VENTURE WITHOUT EQUITY INTEREST*

The Rockbridge Academy (the "Academy")

The Academy is a joint venture consisting of a consortium of five school districts. The Academy was formed for the purpose of providing alternative education services to at risk students. The initial capital of the Academy was raised through the receipt of a per pupil charge dependent upon the services utilized.

The Governing Board of the Academy consists of five members appointed by each member school. The District does not have an equity interest that is explicit and measurable in the Academy; however, the District does have an ongoing financial obligation to support the Academy in meeting its financial obligations. The District did not submit any payments to the Rockbridge Academy during fiscal year 2018. Further detailed financial information may be obtained by contacting the Educational Service Center of Central Ohio at (614) 445-3750.

**B. Fund Accounting**

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

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

*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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental fund:

*General Fund* - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

*PROPRIETARY FUNDS*

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows. The District's only proprietary funds are enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the District's major enterprise fund:

*Child Care Fund* - The child care fund is used to account for all financial transactions related to the District's child care program.

The nonmajor enterprise fund of the District is used to account for food service operations.

*FIDUCIARY FUNDS*

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**C. Basis of Presentation**

*Government-Wide Financial Statements* - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

*Fund Financial Statements* - During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise 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. Fiduciary funds are reported by type.

**D. Measurement Focus**

*Government-Wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

*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.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

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

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

**E. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year-end.

Non-exchange transactions, in which the 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 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, payment in lieu of taxes, tuition, grants, and student fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 14 and 15 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

For the District, see Note 14 and 15, respectively, for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. These deferred inflow of resources are only reported on the government-wide statement of net position.

Expenditures/Expenses - On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for principal and interest on general long-term debt, which is recorded when due.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$117,242 which includes \$25,018 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

Within the basic financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of the general fund and food service enterprise fund (a nonmajor enterprise fund) were not significant at year-end. Donated commodities are presented at their entitlement value.



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**H. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

**I. Capital Assets and Depreciation**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	5 - 50 Years	N/A
Furniture and Equipment	3 - 20 Years	3 - 20 Years
Vehicles	10 Years	N/A

**J. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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 proprietary funds.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

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

**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund loan receivables and payables. These interfund balances between governmental funds are eliminated for reporting on the statement of net position.

**L. Compensated Absences**

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is 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. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick and vacation leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with 15 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded. For proprietary funds, the entire amount of compensated absences is recorded as an expense and liability of the fund.

**M. Accrued Liabilities and Long-term Debt**

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments, compensated absences, and net pension/OPEB liabilities paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

**N. Net Position**

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

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

**O. Fund Balance**

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

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

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**P. Budget Stabilization Arrangement**

The District has established a budget stabilization reserve. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2018, the balance in the budget stabilization reserve was \$915,054. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

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

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for the child care fund and the food service fund (a nonmajor enterprise fund). Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as nonoperating.

**R. 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 budgetary control has been established by the Board of Education at the fund level. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditure. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the 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 final amended certificate in effect when the final appropriations were passed.

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

**S. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances outstanding at year end are reported as assigned in the General Fund only, since they do not constitute expenditures or liabilities.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**T. Pensions/Other Postemployment Benefits (OPEB)**

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

**U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

**V. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 15 to the basic financial statements, and added required supplementary information which is presented on pages 78 - 83 and 85.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	<u>Governmental Activities</u>	<u>Child Care</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total Business-Type Activities</u>
Net position as previously reported	\$ (6,866,022)	\$ (60,906)	\$ (247,526)	\$ (308,432)
Deferred outflows - payments subsequent to measurement date	33,801	5,187	2,114	7,301
Net OPEB liability	<u>(6,020,071)</u>	<u>(267,903)</u>	<u>(109,175)</u>	<u>(377,078)</u>
Restated net position at July 1, 2017	<u>\$ (12,852,292)</u>	<u>\$ (323,622)</u>	<u>\$ (354,587)</u>	<u>\$ (678,209)</u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances**

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

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 46,655
Miscellaneous Federal Grants	400

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Cash on Hand**

At June 30, 2018, the District had \$100 in undeposited cash on hand which is included on the financial statements as part of "equity in pooled cash and cash equivalents".

**B. Cash in Segregated Accounts**

At June 30, 2018, the District has \$10,033 in a separate depository account for a flexible spending account (FSA) clearing account held separate from the District's internal investment pool. This balance of this depository account is included in "deposits with financial institutions" below.

**C. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was \$1,060,384 and the bank balance of all District deposits was \$1,193,329. Of the bank balance, \$742,067 was covered by the FDIC and \$451,262 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Investments**

As of June 30, 2018, the District had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 months or less</u>
<i>Amortized cost:</i>		
STAR Ohio	<u>\$ 8,755,450</u>	<u>\$ 8,755,450</u>

The weighted average maturity of investments is 1 day.

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Amortized cost:</i>		
STAR Ohio	<u>\$ 8,755,450</u>	<u>100.00</u>

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

**E. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,060,384
Investments	8,755,450
Cash on hand	<u>100</u>
 Total	 <u>\$ 9,815,934</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 9,315,994
Business-type activities	427,017
Agency funds	<u>72,923</u>
 Total	 <u>\$ 9,815,934</u>

**NOTE 5 - RECEIVABLES**

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

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

	Governmental activities	Business-type activities
Property taxes	\$ 15,817,787	\$ -
Intergovernmental	62,154	-
Accounts	105,476	31,513
Payments in lieu of taxes	<u>1,024,718</u>	<u>-</u>
 Total	 <u>\$ 17,010,135</u>	 <u>\$ 31,513</u>

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 6 - PROPERTY TAXES**

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

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

The District receives property taxes from Franklin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$5,707,437 in the general fund, \$264,752 in the debt service fund (a nonmajor governmental fund) and \$204,109 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$5,611,659 in the general fund, \$333,214 in the debt service fund (a nonmajor governmental fund) and \$205,811 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 302,336,060	96.44	\$ 380,354,460	96.98
Public utility personal	<u>11,154,870</u>	<u>3.56</u>	<u>11,834,360</u>	<u>3.02</u>
Total	<u>\$ 313,490,930</u>	<u>100.00</u>	<u>\$ 392,188,820</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 110.05		\$ 109.05	

**NOTE 7 - CAPITAL ASSETS**

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

	<u>Balance 06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/18</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 137,400	\$ -	\$ -	\$ 137,400
Total capital assets, not being depreciated	<u>137,400</u>	<u>-</u>	<u>-</u>	<u>137,400</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	17,665,188	-	-	17,665,188
Furniture and equipment	4,952,159	376,484	(901,308)	4,427,335
Vehicles	<u>263,234</u>	<u>-</u>	<u>-</u>	<u>263,234</u>
Total capital assets, being depreciated	<u>22,880,581</u>	<u>376,484</u>	<u>(901,308)</u>	<u>22,355,757</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(8,870,711)	(300,145)	-	(9,170,856)
Furniture and equipment	(3,641,383)	(238,102)	900,815	(2,978,670)
Vehicles	<u>(113,681)</u>	<u>(20,358)</u>	<u>-</u>	<u>(134,039)</u>
Total accumulated depreciation	<u>(12,625,775)</u>	<u>(558,605)</u>	<u>900,815</u>	<u>(12,283,565)</u>
Governmental activities capital assets, net	<u>\$ 10,392,206</u>	<u>\$ (182,121)</u>	<u>\$ (493)</u>	<u>\$ 10,209,592</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 368,239
Special	387
<u>Support services:</u>	
Pupil	22,635
Instructional staff	12,863
Administration	461
Business	6,249
Operations and maintenance	100,235
Operation of non-instructional	4,539
Extracurricular activities	<u>42,997</u>
Total depreciation expense	<u>\$ 558,605</u>

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/18</u>
<b>Business-type activities:</b>				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 196,850	\$ -	\$ (3,411)	\$ 193,439
Total capital assets, being depreciated	<u>196,850</u>	<u>-</u>	<u>(3,411)</u>	<u>193,439</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	(113,498)	(5,754)	3,411	(115,841)
Total accumulated depreciation	<u>(113,498)</u>	<u>(5,754)</u>	<u>3,411</u>	<u>(115,841)</u>
Business-type activities capital assets, net	<u>\$ 83,352</u>	<u>\$ (5,754)</u>	<u>\$ -</u>	<u>\$ 77,598</u>

Depreciation expense was charged to the business-type activities as follows:

<u>Business-type activities:</u>	
Child care	\$ 3,597
Food service	<u>2,157</u>
Total business-type activities	<u>\$ 5,754</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during the year consist of the following. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance 07/01/17	Increase	Decrease	Balance 06/30/18	Amount Due in One Year
<b><u>Governmental activities:</u></b>					
Series 2001 refunding bonds:					
Current interest	\$ 1,475,000	\$ -	\$ (495,000)	\$ 980,000	\$ 490,000
Series 1996 construction bonds:					
Current interest	690,000	-	(215,000)	475,000	230,000
Net pension liability:					
STRS	26,752,185	-	(8,139,029)	18,613,156	-
SERS	4,420,795	-	(921,350)	3,499,445	-
Total net pension liability	<u>31,172,980</u>	<u>-</u>	<u>(9,060,379)</u>	<u>22,112,601</u>	<u>-</u>
Net OPEB liability:					
STRS	4,274,231	-	(1,217,148)	3,057,083	-
SERS	1,745,840	-	(147,201)	1,598,639	-
Total net OPEB liability	<u>6,020,071</u>	<u>-</u>	<u>(1,364,349)</u>	<u>4,655,722</u>	<u>-</u>
Compensated absences	<u>1,067,404</u>	<u>153,025</u>	<u>(159,946)</u>	<u>1,060,483</u>	<u>159,141</u>
Total governmental activities	<u>\$ 40,425,455</u>	<u>\$ 153,025</u>	<u>\$ (11,294,674)</u>	<u>\$ 29,283,806</u>	<u>\$ 879,141</u>
<b><u>Business-type activities:</u></b>					
Compensated absences	\$ 11,793	\$ 4,684	\$ (5,453)	\$ 11,024	\$ 3,896
Net pension liability:					
SERS	954,834	-	(105,979)	848,855	-
Net OPEB liability:					
SERS	<u>377,078</u>	<u>10,702</u>	<u>-</u>	<u>387,780</u>	<u>-</u>
Total business-type activities	<u>\$ 1,343,705</u>	<u>\$ 15,386</u>	<u>\$ (111,432)</u>	<u>\$ 1,247,659</u>	<u>\$ 3,896</u>

All general obligation bonds will be paid from property taxes in the debt service fund (a nonmajor governmental fund).

Compensated absences in the governmental activities will be paid from the general fund and compensated absences in the business-type activities will be paid from the child care fund and the food service fund (a nonmajor enterprise fund).

See Note 14 for further information on the District's net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

See Note 15 for further information on the District's net OPEB liability. The District pays obligations related to employee compensation from the fund benefitting from their service.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2001 Refunding Bonds

On November 1, 2001, the District issued \$8,559,989 of general obligation bonds. The bond issue included serial, term and capital appreciation bonds in the amounts of \$5,880,000, \$2,485,000 and \$194,989, respectively. The bonds advance refunded \$8,560,000 of outstanding 1995 School Facilities Construction and Improvement Bonds. The bonds were issued for a 24 year period with final maturity at December 1, 2019. The 1995 bonds are defeased and are not reported in the accompanying basic financial statements. At June 30, 2018, \$475,000 of the refunded bonds were outstanding.

The term bonds were issued at \$2,485,000. The term bonds that mature on December 1, 2019 are subject to mandatory sinking fund redemption on December 1, 2015 and on each December 1 thereafter at 100 percent of the principal amount thereof, plus accrued interest, to the date of redemption according to the following schedule:

<u>December 1</u>	<u>Principal Amount to be Redeemed</u>
2018	\$ 490,000
2019	490,000

Series 1996 Construction Bonds

Voted general obligation bonds in the amount of \$3,060,000 were issued in accordance with Chapter 133 of the ORC on January 1, 1996 with an average annual interest rate of 5.31%. The purpose of the bond issue was to complete the construction of the new multipurpose facility, renovate school buildings, improve school sites and implement technology improvements. The bonds are scheduled to be repaid over a 23-year period with the final payment due on December 1, 2019. A dedicated tax estimated by the Franklin County Auditor to average 5.52 mills is being collected to repay this debt and the Series 2001 refunding bonds described above.

Future Debt Service Requirements

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

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 720,000	\$ 54,893	\$ 774,893
2020	<u>735,000</u>	<u>18,436</u>	<u>753,436</u>
Total	<u>\$ 1,455,000</u>	<u>\$ 73,329</u>	<u>\$ 1,528,329</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$34,938,160 (including available funds of \$1,096,166) and an unvoted debt margin of \$392,189.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 1,296,951
Net adjustment for revenue accruals	(34,270)
Net adjustment for expenditure accruals	51,726
Net adjustment for other sources/uses	(24,531)
Funds budgeted elsewhere	18,715
Adjustment for encumbrances	290,844
GAAP basis	\$ 1,599,435

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	191,545
Current year offsets	<u>(191,545)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

**NOTE 11 - INTERFUND TRANSACTIONS**

A. Interfund loans receivable/payable consisted of the following at June 30, 2018, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 19,923</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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

	<u>Amount</u>
<u>Transfers from General Fund to:</u>	
Nonmajor governmental funds	\$ 3,690
Nonmajor enterprise fund	<u>25,000</u>
Total	<u>\$ 28,690</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - INTERFUND TRANSACTIONS - (Continued)**

Interfund transfers represent the use of unrestricted revenues collected in the general fund that are used to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer was made from the general fund to support food service operations.

Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. Interfund transfers between governmental funds and enterprise funds are reported on the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 12 - RISK MANAGEMENT**

**A. Property, Liability, and Fleet**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District contracted with Wright Specialty Insurance Company for property insurance, liability insurance, vehicle insurance, and excess liability insurance. Coverage provided by this insurance company is as follows:

<u>Type of Coverage</u>	<u>Liability Limit</u>
Building and contents – replacement costs	\$64,581,400
General Liability – each occurrence	1,000,000
General Liability – aggregate	3,000,000
General Liability – deductible	1,000
Vehicle Liability	1,000,000
Excess Liability – each occurrence	1,000,000

The District also contracted with the Hanover Insurance Group, member of Citizens Insurance Company of America, and Wright Specialty/Caitlin Insurance Company to provide property and fleet insurance requiring deductibles ranging from \$250 to \$2,500 depending on the type of property.

Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years and there has been a significant reduction in coverage from the prior year.

**B. Workers' Compensation**

The District participates in the State Workers' Compensation system that provides coverage for accidents and injuries to employees while on the job. The premium is based on a rate per \$100 of salaries and is calculated as part of a state-wide group rating plan for workers' compensation insurance coverage sponsored by the Ohio School Board's Association.

**C. Employee Health Insurance**

The District offers employee group health insurance from Aetna, dental insurance from Delta Dental Plan, and life insurance from the American United Life Insurance Company with a portion of health insurance premiums being paid by employees. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years as there has been no significant reductions in coverage from prior year.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not party to legal proceedings to legal proceedings that, in the opinion of management, would have a material impact on the financial statements.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$341,533 for fiscal year 2018. Of this amount, \$9,517 is reported as pension and postemployment benefits payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,243,714 for fiscal year 2018. Of this amount, \$134,276 is reported as pension and postemployment benefits payable.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.07344680%	0.07992165%	
Proportion of the net pension liability current measurement date	<u>0.07277760%</u>	<u>0.07835398%</u>	
Change in proportionate share	<u>(0.00066920)%</u>	<u>(0.00156767)%</u>	
Proportionate share of the net pension liability	\$ 4,348,300	\$ 18,613,156	\$ 22,961,456
Pension expense	\$ (229,279)	\$ (7,393,521)	\$ (7,622,800)

Of the District's total pension expense of (\$7,622,800), (\$7,581,574) is reported in the governmental activities and (\$41,226) is reported in the business-type activities.

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 187,137	\$ 718,749	\$ 905,886
Changes of assumptions	224,854	4,070,902	4,295,756
Difference between District contributions and proportionate share of contributions/ change in proportionate share	62,792	-	62,792
District contributions subsequent to the measurement date	<u>341,533</u>	<u>1,243,714</u>	<u>1,585,247</u>
Total deferred outflows of resources	<u>\$ 816,316</u>	<u>\$6,033,365</u>	<u>\$6,849,681</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 150,014	\$ 150,014
Net difference between projected and actual earnings on pension plan investments	20,639	614,255	634,894
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>174,774</u>	<u>610,404</u>	<u>785,178</u>
Total deferred inflows of resources	<u>\$ 195,413</u>	<u>\$1,374,673</u>	<u>\$1,570,086</u>

\$1,585,247 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Of the total contributions made subsequent to the measurement date, \$1,518,574 relates to governmental activities and \$66,673 relates to business-type activities. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 101,625	\$ 631,098	\$ 732,723
2020	222,224	1,466,696	1,688,920
2021	56,886	1,075,513	1,132,399
2022	<u>(101,365)</u>	<u>241,671</u>	<u>140,306</u>
Total	<u>\$ 279,370</u>	<u>\$ 3,414,978</u>	<u>\$ 3,694,348</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*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, 2017, are presented below:

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

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable 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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

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

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

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

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 6,034,312	\$ 4,348,300	\$ 2,935,923

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS Ohio*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 26,681,326	\$ 18,613,156	\$ 11,816,932

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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**NOTE 15 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$41,798.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$54,447 for fiscal year 2018. Of this amount, \$42,138 is reported as pension and postemployment benefits 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](http://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, 2018, STRS did not allocate any employer contributions to post-employment health care.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.07447867%	0.07992165%	
Proportion of the net OPEB liability current measurement date	<u>0.07401690%</u>	<u>0.07835398%</u>	
Change in proportionate share	<u>(0.00046177)%</u>	<u>(0.00156767)%</u>	
Proportionate share of the net OPEB liability	\$ 1,986,419	\$ 3,057,083	\$ 5,043,502
OPEB expense	\$ 113,164	\$ (944,834)	\$ (831,670)

Of the District's total OPEB expense of (\$831,670), (\$862,972) is reported in the governmental activities and \$31,302 is reported in the business-type activities.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 176,474	\$ 176,474
Difference between District contributions and proportionate share of contributions/ change in proportionate share	29,580	-	29,580
District contributions subsequent to the measurement date	<u>54,447</u>	<u>-</u>	<u>54,447</u>
Total deferred outflows of resources	<u>\$ 84,027</u>	<u>\$ 176,474</u>	<u>\$ 260,501</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 5,246	\$ 130,667	\$ 135,913
Changes of assumptions	188,501	246,259	434,760
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>44,394</u>	<u>71,863</u>	<u>116,257</u>
Total deferred inflows of resources	<u>\$ 238,141</u>	<u>\$ 448,789</u>	<u>\$ 686,930</u>

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

\$54,447 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Of the total contributions made subsequent to the measurement date, \$43,818 relates to governmental activities and \$10,629 relates to business-type activities. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$ (74,976)	\$ (56,275)	\$ (131,251)
2020	(74,976)	(56,275)	(131,251)
2021	(57,296)	(56,275)	(113,571)
2022	(1,311)	(56,274)	(57,585)
2023	(2)	(23,608)	(23,610)
Thereafter	-	(23,608)	(23,608)
Total	\$ (208,561)	\$ (272,315)	\$ (480,876)

***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.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 2,398,854	\$ 1,986,419	\$ 1,659,665

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,611,830	\$ 1,986,419	\$ 2,482,194

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 4,104,085	\$ 3,057,083	\$ 2,229,610
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,123,930	\$ 3,057,083	\$ 4,285,221

**NOTE 16 - OTHER COMMITMENTS**

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

	Year-End
<u>Fund</u>	<u>Encumbrances</u>
General	\$ 151,372
Nonmajor governmental	305,844
Total	\$ 457,216

**NOTE 17 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area ("CRA") program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Grandview Heights has entered into such agreements. Under these agreements, the District's property taxes were reduced by \$798,084. The District received \$363,463 from the City of Grandview Heights to help offset forgone property tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07277760%	0.07344680%	0.07543990%	0.07746000%	0.07746000%
District's proportionate share of the net pension liability	\$ 4,348,300	\$ 5,375,629	\$ 4,304,674	\$ 3,920,206	\$ 4,606,298
District's covered payroll	\$ 2,424,150	\$ 2,286,529	\$ 2,271,138	\$ 2,250,837	\$ 2,299,668
District's proportionate share of the net pension liability as a percentage of its covered payroll	179.37%	235.10%	189.54%	174.17%	200.30%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07835398%	0.07992165%	0.08051284%	0.08213870%	0.08213870%
District's proportionate share of the net pension liability	\$ 18,613,156	\$ 26,752,185	\$ 22,251,394	\$ 19,978,974	\$ 23,798,824
District's covered payroll	\$ 8,985,436	\$ 8,529,836	\$ 8,400,164	\$ 8,392,308	\$ 8,626,892
District's proportionate share of the net pension liability as a percentage of its covered payroll	207.15%	313.63%	264.89%	238.06%	275.87%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 341,533	\$ 339,381	\$ 320,114	\$ 299,336
Contributions in relation to the contractually required contribution	<u>(341,533)</u>	<u>(339,381)</u>	<u>(320,114)</u>	<u>(299,336)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,529,874	\$ 2,424,150	\$ 2,286,529	\$ 2,271,138
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 311,966	\$ 318,274	\$ 278,167	\$ 320,538	\$ 300,780	\$ 262,128
<u>(311,966)</u>	<u>(318,274)</u>	<u>(278,167)</u>	<u>(320,538)</u>	<u>(300,780)</u>	<u>(262,128)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,250,837	\$ 2,299,668	\$ 2,068,156	\$ 2,550,024	\$ 2,221,418	\$ 2,663,902
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,243,714	\$ 1,257,961	\$ 1,194,177	\$ 1,176,023
Contributions in relation to the contractually required contribution	<u>(1,243,714)</u>	<u>(1,257,961)</u>	<u>(1,194,177)</u>	<u>(1,176,023)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,883,671	\$ 8,985,436	\$ 8,529,836	\$ 8,400,164
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,091,000	\$ 1,121,496	\$ 1,188,304	\$ 1,152,421	\$ 1,235,851	\$ 1,177,032
<u>(1,091,000)</u>	<u>(1,121,496)</u>	<u>(1,188,304)</u>	<u>(1,152,421)</u>	<u>(1,235,851)</u>	<u>(1,177,032)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,392,308	\$ 8,626,892	\$ 9,140,800	\$ 8,864,777	\$ 9,506,546	\$ 9,054,092
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.07401690%	0.07447867%
District's proportionate share of the net OPEB liability	\$ 1,986,419	\$ 2,122,918
District's covered payroll	\$ 2,424,150	\$ 2,286,529
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.94%	92.84%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.07835398%	0.79921650%
District's proportionate share of the net OPEB liability	\$ 3,057,083	\$ 4,274,231
District's covered payroll	\$ 8,985,436	\$ 8,529,836
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.02%	50.11%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 54,447	\$ 41,102	\$ 37,894	\$ 58,246
Contributions in relation to the contractually required contribution	<u>(54,447)</u>	<u>(41,102)</u>	<u>(37,894)</u>	<u>(58,246)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,529,874	\$ 2,424,150	\$ 2,286,529	\$ 2,271,138
Contributions as a percentage of covered payroll	2.15%	1.70%	1.66%	2.56%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 41,378	\$ 38,749	\$ 32,658	\$ 63,196	\$ 39,339	\$ 105,433
<u>(41,378)</u>	<u>(38,749)</u>	<u>(32,658)</u>	<u>(63,196)</u>	<u>(39,339)</u>	<u>(105,433)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,250,837	\$ 2,299,668	\$ 2,068,156	\$ 2,550,024	\$ 2,221,418	\$ 2,663,902
1.84%	1.68%	1.58%	2.48%	1.77%	3.96%

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,883,671	\$ 8,985,436	\$ 8,529,836	\$ 8,400,164
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 83,923	\$ 81,789	\$ 83,900	\$ 84,857	\$ 86,172	\$ 83,315
<u>(83,923)</u>	<u>(81,789)</u>	<u>(83,900)</u>	<u>(84,857)</u>	<u>(86,172)</u>	<u>(83,315)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,392,308	\$ 8,626,892	\$ 9,140,800	\$ 8,864,777	\$ 9,506,546	\$ 9,054,092
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

(Continued)

**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT  
FRANKLIN COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

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

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Grandview Heights City School District  
Franklin County  
1587 West Third Avenue  
Columbus, Ohio 43212

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grandview Heights City School District, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Grandview Heights City School District's basic financial statements and have issued our report thereon dated November 16, 2018, wherein we noted as discussed in Note 3, the Grandview Heights City School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Grandview Heights City School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Grandview Heights City School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Grandview Heights City School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the Grandview Heights City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Grandview Heights City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Grandview Heights City School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 16, 2018

# OHIO AUDITOR OF STATE KEITH FABER



**GRANDVIEW HEIGHTS CITY SCHOOL DISTRICT**

**FRANKLIN COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 5, 2019**