

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

SINGLE AUDIT

FOR THE YEAR ENDED
JUNE 30, 2022



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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

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

We have reviewed the *Independent Auditor's Report* of the Brecksville-Broadview Heights City School District, Cuyahoga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 31, 2023

This page intentionally left blank.

Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
Table of Contents
June 30, 2022

	<i>Page</i>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund	20
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability - SERS	66
Schedule of the School District’s Proportionate Share of the Net OPEB Liability - SERS	68
Schedule of the School District’s Proportionate Share of the Net Pension Liability - STRS	70
Schedule of the School District’s Proportionate Share of the Net OPEB (Asset) Liability - STRS	72
Schedule of the School District’s Contributions - SERS	74
Schedule of the School District’s Contributions - STRS	76
Notes to the Required Supplementary Information	78
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	85

Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
Table of Contents (Continued)
June 30, 2022

Schedule of Expenditures of Federal Awards.....	88
Notes to the Schedule of Expenditures of Federal Awards.....	89
Schedule of Findings and Questioned Costs.....	90

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio, (the "School District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District's, as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, and pension and other post-employment benefit schedules, as listed in the table of contents*, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The *Schedule of Expenditures of Federal Awards*, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
December 28, 2022

This page is intentionally left blank

Brecksville-Broadview Heights City School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited*

The management's discussion and analysis of Brecksville-Broadview Heights City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for fiscal year 2022 are as follows:

- Net position increased in fiscal year 2022 primarily due to a decrease in the net pension liability coupled with a significant increase in capital assets as the School District continued work on the new elementary school. These were offset by an increase in deferred inflows related to the net pension liability and a decrease in cash and cash equivalents as the School District continued to spend the bond proceeds.
- Total program expenses decreased in fiscal year 2022 due to changes in the net pension/OPEB liabilities. The changes in the net pension/OPEB liabilities were offset by both certified and classified staff receiving a 2.75 percent increase in base salary along with the continued work on the City of Brecksville's portion of the shared construction project.
- The School District's capital asset additions included significant additions to all asset classes excluding land and textbooks. The School District had several ongoing construction projects at fiscal year end, including the high school roof replacement, tennis court replacement, track renovation and the new elementary school.
- The School District's long-term liabilities decreased primarily due to a decrease in the net pension liability coupled with the School District's annual debt payments. These decreases were partially offset by the annual accretion.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Brecksville-Broadview Heights City School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Brecksville-Broadview Heights City School District, the general fund and the building capital projects fund are the more significant funds.

Brecksville-Broadview Heights City School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited*

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2022?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in this position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service operations and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the building capital projects fund.

Governmental Funds

Most of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Brecksville-Broadview Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Unaudited

The School District as a Whole

You may recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Position for fiscal year 2022 compared to fiscal year 2021:

(Table 1)
Net Position
Governmental Activities

	2022	Restated 2021	Change
Assets			
Current and Other Assets	\$90,249,445	\$107,230,778	(\$16,981,333)
Net OPEB Asset	4,146,427	3,540,676	605,751
Capital Assets, Net	61,767,259	42,877,973	18,889,286
<i>Total Assets</i>	<u>156,163,131</u>	<u>153,649,427</u>	<u>2,513,704</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	1,107,051	1,158,644	(51,593)
Pension	13,006,033	10,784,470	2,221,563
OPEB	1,616,146	1,960,375	(344,229)
Asset Retirement Obligation	128,000	132,000	(4,000)
<i>Total Deferred Outflows of Resources</i>	<u>15,857,230</u>	<u>14,035,489</u>	<u>1,821,741</u>
Liabilities			
Current Liabilities	12,841,002	14,218,380	1,377,378
Long-Term Liabilities			
Due Within One Year	2,934,714	3,677,132	742,418
Due In More Than One Year			
Net Pension Liability	33,819,720	64,113,630	30,293,910
Net OPEB Liability	4,428,995	5,084,654	655,659
Other Amounts	53,941,499	54,296,551	355,052
<i>Total Liabilities</i>	<u>107,965,930</u>	<u>141,390,347</u>	<u>33,424,417</u>
Deferred Inflows of Resources			
Property Taxes	42,067,277	40,902,660	(1,164,617)
Pension	27,740,271	1,684,408	(26,055,863)
OPEB	8,320,072	8,045,760	(274,312)
<i>Total Deferred Inflows of Resources</i>	<u>78,127,620</u>	<u>50,632,828</u>	<u>(27,494,792)</u>
Net Position			
Net Investment in Capital Assets	22,655,658	18,147,464	4,508,194
Restricted for:			
Capital Projects	882,900	3,215,609	(2,332,709)
Debt Service	1,080,118	1,161,122	(81,004)
Unclaimed Monies	34,100	34,586	(486)
Other Purposes	1,218,559	799,163	419,396
Unrestricted (Deficit)	<u>(39,944,524)</u>	<u>(47,696,203)</u>	<u>7,751,679</u>
<i>Total Net Position</i>	<u>(\$14,073,189)</u>	<u>(\$24,338,259)</u>	<u>\$10,265,070</u>

Brecksville-Broadview Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Unaudited

The net pension liability (NPL) is one of the largest single liabilities reported by the School District at June 30, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained 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.

The School District continues to provide the services that the School District residents expect while maintaining the costs of providing those services. The most dramatic changes were to cash and cash equivalents, capital assets and the deferred inflows related to the net pension liability as noted above. Cash and cash equivalents decreased from fiscal year 2021 as the School District continued to spend the bond proceeds on various capital projects. Capital assets increased due to current year additions exceeding depreciation for 2022 as the School District continues construction on the new elementary school, among other projects.

In order to further understand what makes up the changes in net position for the current year, the following table gives further details regarding the results of activities for fiscal years 2022 and 2021.

Brecksville-Broadview Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Unaudited

(Table 2)

Change in Net Position
Governmental Activities

	2022	2021	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$3,111,434	\$1,571,149	\$1,540,285
Operating Grants and Contributions	9,595,544	8,026,843	1,568,701
<i>Total Program Revenues</i>	<u>12,706,978</u>	<u>9,597,992</u>	<u>3,108,986</u>
<i>General Revenues</i>			
Property Taxes	47,234,344	45,701,960	1,532,384
Grants and Entitlements not Restricted	9,456,388	9,587,065	(130,677)
Investment Earnings	(366,108)	226,997	(593,105)
Unrestricted Contributions	3,085	35,245	(32,160)
Gain on Sale of Capital Assets	2,500	10,800	(8,300)
Miscellaneous	294,633	1,927,729	(1,633,096)
<i>Total General Revenues</i>	<u>56,624,842</u>	<u>57,489,796</u>	<u>(864,954)</u>
<i>Total Revenues</i>	<u>69,331,820</u>	<u>67,087,788</u>	<u>2,244,032</u>
Program Expenses			
Current:			
Instruction	30,127,524	35,269,339	5,141,815
Support Services:			
Pupils	3,462,550	3,592,024	129,474
Instructional Staff	1,879,933	1,508,713	(371,220)
Board of Education	564,824	431,469	(133,355)
Administration	3,462,671	3,838,095	375,424
Fiscal	1,127,606	1,296,485	168,879
Business	466,575	610,079	143,504
Operation and Maintenance of Plant	5,161,025	4,606,322	(554,703)
Pupil Transportation	3,485,692	5,397,049	1,911,357
Central	371,927	888,177	516,250
Extracurricular Activities	1,786,274	2,253,208	466,934
Operation of Non-Instructional Services	520,860	963,407	442,547
Community Services - Intergovernmental	3,198,267	3,985,101	786,834
Operation of Food Service	1,438,833	971,600	(467,233)
Interest and Fiscal Charges	2,012,189	1,968,306	(43,883)
<i>Total Program Expenses</i>	<u>59,066,750</u>	<u>67,579,374</u>	<u>8,512,624</u>
<i>Change in Net Position</i>	10,265,070	(491,586)	10,756,656
Net Position Beginning of Year	<u>(24,338,259)</u>	<u>(23,846,673)</u>	<u>(491,586)</u>
<i>Net Position End of Year</i>	<u>(\$14,073,189)</u>	<u>(\$24,338,259)</u>	<u>\$10,265,070</u>

Brecksville-Broadview Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Unaudited

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State Foundation support.

Program revenues increased for governmental activities in fiscal year 2022. Charges for services and sales increased due to an increase in tuition and fees and extracurricular revenues as School District operations returned to normal and services provided increased. Operating grants and contributions increased as the School District continued recognizing revenue received from the City of Brecksville for the joint construction project along with increased State funding. The School District continues to seek out restricted grant monies as additional sources of operating revenues. General revenues decreased in fiscal year 2022. Property taxes increased due to the timing of prior year advance settlements from the County. Miscellaneous revenues decreased due to the School District receiving several large refunds from the Bureau of Workers' Compensation and a developer contribution in the prior fiscal year. Interest revenues decreased as the School District continued spending the bond proceeds for the construction of the new elementary school coupled with a decrease on investment returns due to the change in economic conditions.

Program expenses decreased from the prior year due to changes in the net pension/OPEB asset/liabilities despite wage increases for certified and classified employees and higher purchased services costs.

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for 2022 compared to 2021.

(Table 3)

Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021
Instruction	\$30,127,524	\$27,496,502	\$35,269,339	\$33,624,787
Support Services:				
Pupils and Instructional Staff	5,342,483	4,876,039	5,100,737	4,634,877
Board of Education,				
Administration, Fiscal and Business	5,621,676	5,615,509	6,176,128	6,167,596
Operation and Maintenance of Plant	5,161,025	3,107,968	4,606,322	4,341,263
Pupil Transportation	3,485,692	3,217,724	5,397,049	5,235,154
Central	371,927	362,927	888,177	376,807
Extracurricular Activities	1,786,274	422,739	2,253,208	1,320,625
Operation of Non-Instructional Services	520,860	(212,743)	963,407	109,163
Community Services - Intergovernmental	3,198,267	(10,000)	3,985,101	0
Operation of Food Service	1,438,833	(529,082)	971,600	202,804
Interest and Fiscal Charges	2,012,189	2,012,189	1,968,306	1,968,306
<i>Total Expenses</i>	<u>\$59,066,750</u>	<u>\$46,359,772</u>	<u>\$67,579,374</u>	<u>\$57,981,382</u>

Brecksville-Broadview Heights City School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited*

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

The School District's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. For fiscal year 2022, the general fund had an increase in fund balance primarily resulting from an increase in property tax revenue due to the timing of advance settlements. The building capital projects fund had a decrease in fund balance as the School District continued spending down the bond proceeds from the fiscal year 2019 issuance. The building capital projects fund holds the majority of the general obligation bond proceeds for the construction of new facilities.

General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially, the budget is the School District's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. During the course of fiscal year 2022, the School District amended its general fund budget numerous times to allow for insignificant amendments. The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was slightly higher than the original budget estimate. The change was mainly attributed to an increase in property tax and intergovernmental revenues as the School District had a better estimate of the annual collections. The final budget appropriations were higher than the original budget appropriations of the general fund due mainly to an increase in regular instruction and pupil transportation support services as the School District's current year requirements became more apparent.

Capital Assets and Long-term Obligations

Capital Assets

During fiscal year 2022, the School District's capital asset additions included significant additions to all asset classes excluding land, intangibles and textbooks. The construction in progress included the construction of a new elementary school, high school roof replacement, tennis court replacement and track renovations. During the year, the School District completed the middle school roof replacement, middle school secure vestibule and the middle school HVAC projects. Please refer to Note 10 within the Notes to the Basic Financial Statements for further information on capital assets.

Long-term Obligations

On May 7, 2013, the School District issued \$10,480,000 in school improvement refunding bonds in order to refund a portion of the Series 2006 high school refunding bonds in order to take advantage of lower interest rates. The bonds were issued with interest rates ranging from 1.221 to 2.318 percent. The bonds were issued for an eight year period with final maturity during fiscal year 2022. These bonds were retired from the bond retirement fund.

Brecksville-Broadview Heights City School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited*

On September 11, 2018, the School District issued \$44,499,977 of Series 2018 School Improvement bonds, which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$8,470,000, \$35,500,000 and \$529,977, respectively. The bonds were issued at a premium of \$7,134,164. The school improvement bonds were issued for the purpose of constructing, furnishing, equipping and otherwise improving a new elementary school. The bonds will be retired from the bond retirement fund. The bonds were issued for a thirty-six year period with a final maturity at December 1, 2054. During fiscal year 2020, a portion of the bonds were retired by the School District through an advance refunding. After the advance refunding, the original school improvement bonds have a final maturity of December 1, 2030. The capital appreciation bonds and a portion of the serial bonds remained outstanding at June 30, 2022.

On December 17, 2019, the School District issued \$43,955,446 of Series 2019 School Improvement refunding bonds, which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$2,385,000, \$40,920,000 and \$650,446, respectively. The bonds were issued at a premium of \$2,314,483. The school improvement bonds were issued for the purpose of refunding a portion of the 2018 school improvement bonds to take advantage of lower interest rates. The bonds will be retired from the bond retirement fund. The bonds were issued for a thirty-five year period with a final maturity at December 1, 2054. Although the refunding will result in the recognition of an accounting loss of \$1,192,427, the School District reduced its aggregated debt service payments by \$13,286,747 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$5,871,071.

The overall debt margin of the School District as of June 30, 2022, was \$73,715,523 with an unvoted debt margin of \$1,300,460. Please refer to Note 15 within the Notes to the Basic Financial Statements for further information on debt.

Current Financial Related Activities

Brecksville-Broadview Heights City School District has continued to maintain the highest standards of services to our students, parents and community at one of the lowest costs in Cuyahoga County. As with all school districts in the State of Ohio, State funding issues are constantly monitored to determine the impact on the School District. As the preceding information shows, the School District is heavily reliant on local property taxpayers.

Management must continue to diligently plan expenses, staying carefully within the School District's financial forecast. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the life of the levies. All of the School District's financial abilities will be needed to meet the challenges of the future. In conclusion, the School District has committed itself to financial excellence for many years.

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021, while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Brecksville-Broadview Heights City School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact, Craig Yaniglos, Treasurer/CFO at Brecksville-Broadview Heights City School District, 6638 Mill Road, Brecksville, Ohio 44141.

Brecksville-Broadview Heights City School District

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$41,753,031
Accrued Interest Receivable	27,364
Accounts Receivable	226,303
Intergovernmental Receivable	215,836
Inventory Held for Resale	12,807
Materials and Supplies Inventory	4,780
Prepaid Items	50,959
Property Taxes Receivable	47,958,365
Net OPEB Asset (See Note 17)	4,146,427
Nondepreciable Capital Assets	38,623,498
Depreciable Capital Assets, Net	<u>23,143,761</u>
<i>Total Assets</i>	<u>156,163,131</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	1,107,051
Pension	13,006,033
OPEB	1,616,146
Asset Retirement Obligation	<u>128,000</u>
<i>Total Deferred Outflows of Resources</i>	<u>15,857,230</u>
Liabilities	
Accounts Payable	25,358
Accrued Wages and Benefits	5,178,740
Contracts Payable	2,948,349
Retainage Payable	3,278,870
Intergovernmental Payable	847,221
Matured Compensated Absences Payable	103,265
Accrued Interest Payable	125,096
Unearned Revenue	334,103
Long-Term Liabilities:	
Due Within One Year	2,934,714
Due in More Than One Year	
Net Pension Liability (See Note 16)	33,819,720
Net OPEB Liability (See Note 17)	4,428,995
Other Amounts	<u>53,941,499</u>
<i>Total Liabilities</i>	<u>107,965,930</u>
Deferred Inflows of Resources	
Property Taxes	42,067,277
Pension	27,740,271
OPEB	<u>8,320,072</u>
<i>Total Deferred Inflows of Resources</i>	<u>78,127,620</u>
Net Position	
Net Investment in Capital Assets	22,655,658
Restricted for:	
Capital Projects	882,900
Debt Service	1,080,118
Unclaimed Monies	34,100
Other Purposes	1,218,559
Unrestricted (Deficit)	<u>(39,944,524)</u>
<i>Total Net Position</i>	<u>(\$14,073,189)</u>

See accompanying notes to the basic financial statements

Brecksville-Broadview Heights City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2022

	Program Revenues			Net Revenue/(Expense) and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$22,978,412	\$1,054,067	\$1,010,581	(\$20,913,764)
Special	7,086,713	241,349	323,363	(6,522,001)
Vocational	62,399	1,662	0	(60,737)
Support Services:				
Pupils	3,462,550	0	395,636	(3,066,914)
Instructional Staff	1,879,933	0	70,808	(1,809,125)
Board of Education	564,824	0	0	(564,824)
Administration	3,462,671	6,167	0	(3,456,504)
Fiscal	1,127,606	0	0	(1,127,606)
Business	466,575	0	0	(466,575)
Operation and Maintenance of Plant	5,161,025	26,608	2,026,449	(3,107,968)
Pupil Transportation	3,485,692	0	267,968	(3,217,724)
Central	371,927	0	9,000	(362,927)
Extracurricular Activities	1,786,274	1,271,786	91,749	(422,739)
Operation of Non-Instructional Services	520,860	326,696	406,907	212,743
Community Services - Intergovernmental	3,198,267	0	3,208,267	10,000
Operation of Food Service	1,438,833	183,099	1,784,816	529,082
Interest and Fiscal Charges	2,012,189	0	0	(2,012,189)
Totals	\$59,066,750	\$3,111,434	\$9,595,544	(46,359,772)

General Revenues

Property Taxes Levied for:

General Purposes	42,660,513
Debt Service	2,905,320
Capital Outlay	1,668,511

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings	9,456,388
Unrestricted Contributions	(366,108)
Gain on Sale of Capital Assets	3,085
Miscellaneous	2,500
	294,633

Total General Revenues 56,624,842

Change in Net Position 10,265,070

Net Position Beginning of Year (24,338,259)

Net Position End of Year (\$14,073,189)

See accompanying notes to the basic financial statements

Brecksville-Broadview Heights City School District

*Balance Sheet
Governmental Funds
June 30, 2022*

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$23,071,239	\$12,244,881	\$6,402,811	\$41,718,931
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	34,100	0	0	34,100
Accrued Interest Receivable	27,364	0	0	27,364
Accounts Receivable	170,051	0	56,252	226,303
Intergovernmental Receivable	209,597	0	6,239	215,836
Prepaid Items	50,959	0	0	50,959
Inventory Held for Resale	0	0	12,807	12,807
Materials and Supplies Inventory	0	0	4,780	4,780
Property Taxes Receivable	43,315,163	0	4,643,202	47,958,365
<i>Total Assets</i>	<u>\$66,878,473</u>	<u>\$12,244,881</u>	<u>\$11,126,091</u>	<u>\$90,249,445</u>
Liabilities				
Accounts Payable	\$7,937	\$0	\$17,421	\$25,358
Accrued Wages and Benefits	5,103,090	0	75,650	5,178,740
Contracts Payable	0	2,766,906	181,443	2,948,349
Retainage Payable	0	3,216,606	62,264	3,278,870
Intergovernmental Payable	819,492	0	27,729	847,221
Matured Compensated Absences Payable	103,265	0	0	103,265
Unearned Revenue	0	334,103	0	334,103
<i>Total Liabilities</i>	<u>6,033,784</u>	<u>6,317,615</u>	<u>364,507</u>	<u>12,715,906</u>
Deferred Inflows of Resources				
Property Taxes	37,973,539	0	4,093,738	42,067,277
Unavailable Revenue	1,911,036	0	191,958	2,102,994
<i>Total Deferred Inflows of Resources</i>	<u>39,884,575</u>	<u>0</u>	<u>4,285,696</u>	<u>44,170,271</u>
Fund Balances				
Nonspendable	85,059	0	4,780	89,839
Restricted	0	5,927,266	5,957,407	11,884,673
Committed	0	0	519,940	519,940
Assigned	1,018,604	0	0	1,018,604
Unassigned (Deficit)	19,856,451	0	(6,239)	19,850,212
<i>Total Fund Balances</i>	<u>20,960,114</u>	<u>5,927,266</u>	<u>6,475,888</u>	<u>33,363,268</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$66,878,473</u>	<u>\$12,244,881</u>	<u>\$11,126,091</u>	<u>\$90,249,445</u>

See accompanying notes to the basic financial statements

Brecksville-Broadview Heights City School District

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

June 30, 2022

Total Governmental Funds Balances		\$33,363,268
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		61,767,259
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:		
Delinquent Property Taxes	1,919,693	
Intergovernmental	6,239	
Tuition and Fees	<u>177,062</u>	
Total		2,102,994
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(125,096)
The net pension liability and net OPEB asset/liability are not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	4,146,427	
Deferred Outflows - Pension	13,006,033	
Deferred Outflows - OPEB	1,616,146	
Net Pension Liability	(33,819,720)	
Net OPEB Liability	(4,428,995)	
Deferred Inflows - Pension	(27,740,271)	
Deferred Inflows - OPEB	<u>(8,320,072)</u>	
Total		(55,540,452)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(49,874,810)	
Deferred Charge on Refunding	1,107,051	
Compensated Absences	(6,171,642)	
Leases Payable	(629,761)	
Deferred Outflow Asset Retirement	128,000	
Asset Retirement Obligation	<u>(200,000)</u>	
Total		<u>(55,641,162)</u>
<i>Net Position of Governmental Activities</i>		<u><u>(\$14,073,189)</u></u>

See accompanying notes to the basic financial statements

Brecksville-Broadview Heights City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$42,497,711	\$0	\$4,547,536	\$47,045,247
Intergovernmental	9,533,250	3,198,267	6,258,300	18,989,817
Interest	(402,892)	33,464	3,320	(366,108)
Charges for Services	6,167	0	189,657	195,824
Tuition and Fees	1,255,382	0	326,696	1,582,078
Extracurricular Activities	613,299	0	651,929	1,265,228
Rentals	26,608	0	0	26,608
Contributions and Donations	3,085	0	234,249	237,334
Miscellaneous	264,086	0	30,547	294,633
<i>Total Revenues</i>	<u>53,796,696</u>	<u>3,231,731</u>	<u>12,242,234</u>	<u>69,270,661</u>
Expenditures				
Current:				
Instruction:				
Regular	24,442,792	0	1,040,774	25,483,566
Special	7,655,795	0	365,197	8,020,992
Vocational	98,501	0	0	98,501
Support Services:				
Pupils	3,576,693	0	401,413	3,978,106
Instructional Staff	1,659,924	0	388,526	2,048,450
Board of Education	562,695	0	0	562,695
Administration	3,176,096	0	180	3,176,276
Fiscal	1,272,339	0	1,400	1,273,739
Business	567,067	0	0	567,067
Operation and Maintenance of Plant	4,191,422	0	1,775,143	5,966,565
Pupil Transportation	3,358,697	0	380,071	3,738,768
Central	397,808	0	9,000	406,808
Extracurricular Activities	912,117	0	727,098	1,639,215
Operation of Non-Instructional Services	0	0	651,373	651,373
Operation of Food Service	0	0	1,515,319	1,515,319
Intergovernmental	0	3,198,267	0	3,198,267
Capital Outlay	0	17,728,407	2,581,694	20,310,101
Debt Service:				
Principal Retirement	188,692	33,076	1,695,000	1,916,768
Interest and Fiscal Charges	14,210	11,804	1,525,065	1,551,079
<i>Total Expenditures</i>	<u>52,074,848</u>	<u>20,971,554</u>	<u>13,057,253</u>	<u>86,103,655</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,721,848</u>	<u>(17,739,823)</u>	<u>(815,019)</u>	<u>(16,832,994)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	2,500	2,500
Transfers In	0	0	93,627	93,627
Transfers Out	(93,627)	0	0	(93,627)
<i>Total Other Financing Sources (Uses)</i>	<u>(93,627)</u>	<u>0</u>	<u>96,127</u>	<u>2,500</u>
<i>Net Change in Fund Balances</i>	1,628,221	(17,739,823)	(718,892)	(16,830,494)
<i>Fund Balances Beginning of Year</i>	<u>19,331,893</u>	<u>23,667,089</u>	<u>7,194,780</u>	<u>50,193,762</u>
<i>Fund Balances End of Year</i>	<u>\$20,960,114</u>	<u>\$5,927,266</u>	<u>\$6,475,888</u>	<u>\$33,363,268</u>

See accompanying notes to the basic financial statements

Brecksville-Broadview Heights City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2022*

Net Change in Fund Balances - Total Governmental Funds (\$16,830,494)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation/amortization in the current period:

Capital Asset Additions	20,878,636	
Current Year Depreciation/Amortization	(1,989,350)	
Total		18,889,286

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

Property Taxes	189,097	
Intergovernmental	(172,134)	
Tuition and Fees	41,696	
Total		58,659

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,916,768

In the statement of activities, interest is accrued on outstanding obligations, and bond premium, accretion and deferred accounting loss are amortized over the terms of the bonds whereas in governmental funds the expenditure is reported when bonds are issued:

Accrued Interest	3,263	
Amortization of Bond Premiums	263,091	
Amortization of Deferred Charge on Refunding	(51,593)	
Annual Accretion	(675,871)	
Total		(461,110)

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

Pension	4,884,676	
OPEB	143,896	
Total		5,028,572

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:

Pension	1,574,934	
OPEB	498,973	
Total		2,073,907

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	(406,518)	
Asset Retirement Obligation	(4,000)	
Total		(410,518)

Change in Net Position of Governmental Activities \$10,265,070

See accompanying notes to the basic financial statements

Brecksville-Broadview Heights City School District

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund*

For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$40,025,015	\$41,826,485	\$41,826,485	\$0
Intergovernmental	9,112,093	9,522,216	9,522,216	0
Interest	165,174	172,608	172,608	0
Charges for Services	5,901	6,167	6,167	0
Tuition and Fees	865,897	904,870	904,870	0
Extracurricular Activities	271,124	283,327	283,327	0
Rentals	11,495	12,012	12,012	0
Contributions and Donations	2,145	2,242	2,242	0
Miscellaneous	270,508	282,679	282,679	0
<i>Total Revenues</i>	<u>50,729,352</u>	<u>53,012,606</u>	<u>53,012,606</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	23,533,370	23,992,209	23,992,209	0
Special	8,279,764	7,628,636	7,628,636	0
Vocational	126,795	98,891	98,891	0
Student Intervention Services	181,214	0	0	0
Support Services:				
Pupils	3,223,851	3,548,864	3,548,864	0
Instructional Staff	1,367,640	1,561,218	1,561,218	0
Board of Education	318,037	562,987	562,987	0
Administration	3,060,397	3,155,473	3,155,473	0
Fiscal	1,358,691	1,265,641	1,265,641	0
Business	532,582	562,299	562,299	0
Operation and Maintenance of Plant	4,290,878	4,232,155	4,232,154	1
Pupil Transportation	3,016,579	3,474,590	3,474,590	0
Central	379,979	393,591	393,591	0
Extracurricular Activities	686,156	913,591	913,591	0
Debt Service:				
Principal	188,692	188,692	188,692	0
Interest	14,210	14,210	14,210	0
<i>Total Expenditures</i>	<u>50,558,835</u>	<u>51,593,047</u>	<u>51,593,046</u>	<u>1</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	170,517	1,419,559	1,419,560	1
Other Financing Sources (Uses)				
Transfers Out	0	(93,627)	(93,627)	0
<i>Net Change in Fund Balance</i>	170,517	1,325,932	1,325,933	1
<i>Fund Balance Beginning of Year</i>	20,945,984	20,945,984	20,945,984	0
Prior Year Encumbrances Appropriated	346,379	346,379	346,379	0
<i>Fund Balance End of Year</i>	<u>\$21,462,880</u>	<u>\$22,618,295</u>	<u>\$22,618,296</u>	<u>\$1</u>

See accompanying notes to the basic financial statements

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 1 - Description of the School District and Reporting Entity

The Brecksville-Broadview Heights City School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operated under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 27 square miles located in a suburban area south of Cleveland, Ohio. It is located in Cuyahoga County and encompasses all of the City of Brecksville, most of the City of Broadview Heights and a small portion of the City of North Royalton. It is staffed by about 195 classified employees and 260 certified personnel who provide services to 3,650 students and other community members. The School District currently operates a preschool, three elementary schools, a middle school, a high school, an administration building and a bus garage.

Reporting Entity

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

Non-public Schools – Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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

The School District participates in three jointly governed organizations and a shared risk pool. These organizations are Connect, Cuyahoga Valley Career Center, Ohio Schools Council Association and the Suburban Health Consortium which are presented in Notes 18 and 19 to the basic financial statements.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are governmental.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Building Fund The building fund is used to account for and report restricted bond proceeds used for the building, restoration, and improvement of the School District property.

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

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

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

Unearned Revenue Unearned revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The School District recognizes unearned revenue for the receipt of money from the City of Brecksville for the City's portion of a shared construction project with the School District.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, asset retirement obligations and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systemic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 16 and 17.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow 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 School District unavailable revenue includes delinquent property taxes and tuition and fees revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 16 and 17).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net 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.

Budgetary Data

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate appropriations to the function and object level within each fund.

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

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

Cash and Cash Equivalents

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

During fiscal year 2022, investments were limited to commercial paper, State Treasury Asset Reserve of Ohio (STAR Ohio), First American government obligations, negotiable certificates of deposit, federal home loan bank notes, federal farm credit bank notes, federal home loan mortgage corporation notes, municipal bonds, U.S. treasury notes and U.S. treasury bills.

Investments, except commercial paper and STAR Ohio, are reported at fair value which is based on quoted market prices. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2022 amounted to (\$402,892), (\$200,295) of which was assigned from other School District funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Inventory

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund represent money restricted for unclaimed monies.

Capital Assets

All of the School District's capital assets are general capital assets. General capital assets are those assets related to activities reported in the governmental 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.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

All capital assets (except for intangible right-to-use lease assets which are discussed below) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	15 - 40 years
Buildings and Improvements	15 - 40 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 10 years
Textbooks	8 years

The School District is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability. These intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all classified employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for administrators and classified staff after five years of service and teachers after ten years of service.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, leases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

Internal Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund Balance

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

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

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

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Net Position

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

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

Estimates

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

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 3 – Fund Balances

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

Fund Balances	General	Building	Other Governmental Funds	Total
<i>Nonspendable</i>				
Unclaimed Monies	\$34,100	\$0	\$0	\$34,100
Prepays	50,959	0	0	50,959
Materials and Supplies Inventory	0	0	4,780	4,780
<i>Total Nonspendable</i>	85,059	0	4,780	89,839
<i>Restricted for</i>				
Food Service Operations	0	0	521,660	521,660
Extracurricular Activities	0	0	419,859	419,859
Community Involvement	0	0	280,497	280,497
Data Communication	0	0	4,500	4,500
Non-Public Schools	0	0	34,323	34,323
Field House Operations	0	0	20,000	20,000
Instructional Services	0	0	9,699	9,699
Debt Service Payments	0	0	2,743,686	2,743,686
Capital Improvements	0	5,927,266	1,923,183	7,850,449
<i>Total Restricted</i>	0	5,927,266	5,957,407	11,884,673
<i>Committed to</i>				
Scholarships	0	0	138,062	138,062
After School Program	0	0	381,878	381,878
<i>Total Committed</i>	0	0	519,940	519,940
<i>Assigned to</i>				
Rotary Services	167,579	0	0	167,579
Uniform School Supplies	655,526	0	0	655,526
Public School Support	123,020	0	0	123,020
Purchases on Order:				
Instruction	48,091	0	0	48,091
Support Services	24,388	0	0	24,388
<i>Total Assigned</i>	1,018,604	0	0	1,018,604
<i>Unassigned (Deficit)</i>	19,856,451	0	(6,239)	19,850,212
<i>Total Fund Balances</i>	\$20,960,114	\$5,927,266	\$6,475,888	\$33,363,268

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 4 – Accountability

At June 30, 2022, the following funds have deficit balances:

Special Revenue Funds:

Title VI-B	\$5,539
Reducing Class Size	700

These deficits are caused by the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Investments are reported at cost (budget) rather than at fair value (GAAP).
5. Budgetary revenues and expenditures of the uniform school supplies, rotary and public school support funds are classified to the general fund for GAAP reporting.

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

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Net Change in Fund Balance

GAAP Basis	\$1,628,221
Net Adjustment for Revenue Accruals	(590,736)
Net Adjustment for Expenditure Accruals	4,321
Beginning Fair Value Adjustment for Investments	131,210
Ending Fair Value Adjustment for Investments	444,509
Perspective Difference:	
Uniform School Supplies	(182,344)
Rotary	(12,603)
Public School Support	(9,242)
Adjustment for Encumbrances	(87,403)
Budget Basis	<u><u>\$1,325,933</u></u>

Note 6 - Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (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.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio), and;
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Investments

As of June 30, 2022, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Amortized Cost				
Commercial Paper	\$16,018,856	Less than one year	N/A	50.36%
Net Asset Value (NAV) per share:				
STAR Ohio	171,308	Average 35.3 Days	AAAm	N/A
Fair Value - Level One Inputs:				
First American Government Obligation	123,204	Less than one year	AAAm	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	2,961,164	Less than one year	N/A	9.31%
Negotiable Certificates of Deposit	2,423,848	Less than two years	N/A	7.62%
Negotiable Certificates of Deposit	236,133	Less than three years	N/A	N/A
Federal Home Loan Bank Notes	2,196,719	Less than two years	AAA	6.91%
Federal Home Loan Bank Notes	1,179,330	Less than three years	AAA	N/A
Federal Home Loan Bank Notes	456,679	Less than four years	AAA	N/A
Federal Farm Credit Bank Notes	590,223	Less than two years	AA+	N/A
Federal Home Loan Mortgage Corporation Notes	1,256,969	Less than two years	AA+	N/A
Federal Home Loan Mortgage Corporation Notes	460,472	Less than four years	AA+	N/A
Municipal Bonds	206,199	Less than one year	AA	N/A
Municipal Bonds	254,927	Less than two years	AA	N/A
Municipal Bonds	289,305	Less than three years	AA	N/A
US Treasury Notes	2,444,990	Less than one year	AA+	7.69%
US Treasury Bills	535,885	Less than two years	A-1+	N/A
Total	<u>\$31,806,211</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2022. The First American government obligation is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs)

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates and according to State law, the School District's investment policy limits investment portfolio maturities to within five years from the date of purchase.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Concentration of Credit Risk This type of risk is defined by the Governmental Accounting Standards Board as having investments of five percent or more in the securities of a single issuer. The School District’s investment policy places no limit on the amount that may be invested in any one issuer.

Note 7 - Receivables

Receivables at June 30, 2022, consisted of taxes, accounts, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of federal funds. All receivables, except for property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Foundation Adjustments	\$180,875
Motor Fuel Tax Refund	18,711
Title VI-B Grant	5,539
Medicaid Reimbursement	4,628
City of Brecksville Fees	4,158
Kent State University Stipend	1,225
Reducing Class Size Grant	700
Total	<u><u>\$215,836</u></u>

Note 8 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. First half tax collections are received by the School 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 located in the School District. Real property tax revenues received in calendar year 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 become a lien December 31, 2020, were levied after April 1, 2021, and are collected in calendar year 2022 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2022, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2022 was \$3,607,650 in the general fund, \$211,900 in the bond retirement fund and \$151,845 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2021 was \$2,936,424 in the general fund, \$172,475 in the bond retirement fund and \$123,593 in the permanent improvement capital projects fund. The difference was in timing and collection by the County Fiscal Officer.

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$1,113,808,850	97.24 %	\$1,267,531,690	97.47 %
Public Utility Personal	31,599,390	2.76	32,928,740	2.53
Total	<u>\$1,145,408,240</u>	<u>100.00 %</u>	<u>\$1,300,460,430</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$82.79		\$82.79	

Note 9 – Other Employee Benefits

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance in the amount of \$50,000 to full-time employees and in an amount equal to double the employee’s annual salary, up to a maximum of \$350,000, for administrators and administrative support staff positions from American United Life Insurance Company through the Ohio Schools Council.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Twelve-month administrative personnel earn 20 days of vacation leave and after 12 years of service, 25 days of vacation leave are earned.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum. Upon retirement, payment is made for 28 percent of the total sick leave accumulation, up to a maximum accumulation of 88 days for certificated employees and 30 percent of the total sick leave accumulation, up to a maximum accumulation 115 days for classified employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS. Upon retirement for administrators, payment is made for 30 percent of the total sick leave accumulation. Upon retirement for administrative support employees, payment is made for 30 percent of the total sick leave accumulation up to a maximum accumulation of 100 days.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Restated Balance 6/30/21	Additions	Deletions	Balance 6/30/22
Governmental Activities				
<i>Capital Assets, not being depreciated/amortized:</i>				
Land	\$3,088,833	\$0	\$0	\$3,088,833
Construction in Progress	20,532,951	20,413,143	(5,411,429)	35,534,665
<i>Total Capital Assets, not being depreciated/amortized</i>	23,621,784	20,413,143	(5,411,429)	38,623,498
<i>Capital Assets, being depreciated/amortized:</i>				
Land Improvements	5,270,125	137,600	0	5,407,725
Buildings and Improvements	41,905,874	5,425,629	0	47,331,503
Furniture and Equipment	11,248,505	29,033	0	11,277,538
Intangible Right to Use Lease - Equipment	773,489	0	0	773,489
Vehicles	5,190,163	284,660	(58,124)	5,416,699
Textbooks	2,399,557	0	0	2,399,557
<i>Total Capital Assets, being depreciated/amortized</i>	66,787,713	5,876,922	(58,124)	72,606,511
<i>Less Accumulated Depreciation/Amortization:</i>				
Land Improvements	(3,543,449)	(146,234)	0	(3,689,683)
Buildings and Improvements	(27,452,758)	(1,054,932)	0	(28,507,690)
Furniture and Equipment	(10,381,130)	(126,023)	0	(10,507,153)
Intangible Right to Use Lease - Equipment	0	(143,728)	0	(143,728)
Vehicles	(3,977,514)	(369,842)	58,124	(4,289,232)
Textbooks	(2,176,673)	(148,591)	0	(2,325,264)
<i>Total Accumulated Depreciation/Amortization</i>	(47,531,524)	(1,989,350) *	58,124	(49,462,750)
<i>Total Capital Assets, being depreciated/amortized, net</i>	19,256,189	3,887,572	0	23,143,761
<i>Governmental Activities Capital Assets, Net</i>	\$42,877,973	\$24,300,715	(\$5,411,429)	\$61,767,259

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

* Depreciation/amortization expense was charged to governmental functions as follows:

Instruction	
Regular	\$319,017
Vocational	7,060
Support Services	
Instructional Staff	48,163
Board of Education	2,129
Administration	928,099
Business	4,508
Operation and Maintenance of Plant	80,422
Pupil Transportation	384,974
Operation of Non-Instructional Services:	
Food Service Operations	7,062
Extracurricular Activities	207,916
Total Depreciation/Amortization Expense	<u>\$1,989,350</u>

** Of the current year depreciation/amortization total of \$1,989,350, \$143,728 is presented as administration expense on the Statement of Activities related to the School District's intangible asset of a postage machine, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

Note 11 - Interfund Transfers

The general fund transferred \$25,000 to the other local grants special revenue fund to provide financial support for the School District's grant programs, \$33,627 to the athletics special revenue fund to help fund the School District's athletic programs, \$10,000 to the Blossom field house special revenue fund to help establish the field house maintenance fund and \$25,000 to the permanent improvements capital projects fund to help pay for the various capital asset projects.

Note 12 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2022, if applicable, cannot be determined at this time.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

School Foundation

In fiscal year 2022, School District foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2022 have been finalized. This is reserved in an intergovernmental receivable.

Litigation

The School District is not party to legal proceedings as of June 30, 2022.

Note 13 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the School District participated in the Ohio Schools' Council insurance program through Love Insurance Agency for various types of insurance. Coverage is as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Property	\$149,429,088
Flood and Earthquake	3,000,000
Boiler and Machinery	100,000,000
Inland Marine	included in property limits
Employee Theft	750,000
General Liability, in aggregate	13,000,000
General Liability, per occurrence	11,000,000
Fleet Insurance, per occurrence	11,000,000
Fleet Insurance, uninsured	1,000,000
Fiduciary and Employee Benefits Liability, limit	13,000,000
Fiduciary and Employee Benefits Liability, aggregate	11,000,000
Violence, Injury and Death Benefit	1,000,000
Cyber Coverage	1,000,000
Pollution Coverage	1,000,000

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

Worker's Compensation

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. During fiscal year 2022, the School District was enrolled in a Group Retrospective rating program offered by the Ohio Bureau of Worker's Compensation and administered by KKSG & Associates.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Employee Benefits

For fiscal year 2022, the School District was a participant in the Suburban Health Consortium (the “Consortium”) to provide employee medical/surgical and prescription drug benefits. The Consortium is administered by Medical Mutual of Ohio. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

The School District’s portion of the monthly medical insurance premium is \$570.92 for single coverage and \$1,213.34 for family coverage for full-time employees. The School District’s portion of the monthly prescription drug insurance premium is \$145.34 for single coverage and \$325.16 for family coverage for fulltime employees.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District’s account balance or the Directors have the right to hold monies for an existing school district subsequent to the settlement of all expenses and claims.

Note 14 – Set-Asides

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

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

	<u>Capital Improvement</u>
Set-Aside Balances as of June 30, 2021	\$0
Current Year Set-aside Requirement	646,194
Current Year Offsets	(1,634,293)
Qualifying Disbursements	<u>(440,831)</u>
Totals	<u>(\$1,428,930)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-Aside Balances as of June 30, 2022	<u>\$0</u>

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

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 15 - Long Term Obligations

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

Debt Issue	Original Issue Amount	Interest Rate	Fiscal Year of Maturity
Series 2013 School Improvement Refunding Bonds	\$10,480,000	1.22 - 2.32%	2022
Series 2018 School Improvement Bonds			
Serial Bonds	10,000	2.00%	2022
Capital Appreciation Bonds	529,977	29.92%	2031
Series 2019 School Improvement Refunding Bonds			
Serial Bonds	2,385,000	2.78 - 4.00%	2033
Term Bonds	529,977	3.08 - 3.65%	2054
Capital Appreciation Bonds	650,446	30.00%	2031

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

	Principal Outstanding 6/30/21	Additions	Deductions	Principal Outstanding 6/30/22	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
2013 School Improvement Refunding Bonds					
Serial Bonds	\$1,685,000	\$0	\$1,685,000	\$0	\$0
2018 School Improvement Bonds					
Serial Bonds	5,000	0	5,000	0	0
Capital Appreciation Bonds	529,977	0	0	529,977	113,986
Accretion	602,275	364,175	0	966,450	256,014
Premium on Bonds	1,853,244	0	196,805	1,656,439	0
<i>Total 2018 School Improvement Bonds</i>	<u>2,990,496</u>	<u>364,175</u>	<u>201,805</u>	<u>3,152,866</u>	<u>370,000</u>
2019 School Improvement Refunding Bonds					
Serial Bonds	2,380,000	0	5,000	2,375,000	0
Term Bonds	40,920,000	0	0	40,920,000	0
Capital Appreciation Bonds	650,446	0	0	650,446	170,366
Accretion	316,033	311,696	0	627,729	214,634
Premium on Bonds	2,215,055	0	66,286	2,148,769	0
<i>Total 2019 School Refunding Bonds</i>	<u>46,481,534</u>	<u>311,696</u>	<u>71,286</u>	<u>46,721,944</u>	<u>385,000</u>
<i>Total General Obligation Bonds</i>	<u>51,157,030</u>	<u>675,871</u>	<u>1,958,091</u>	<u>49,874,810</u>	<u>755,000</u>

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

	Principal Outstanding 6/30/21	Additions	Deductions	Principal Outstanding 6/30/22	Amounts Due in One Year
Governmental Activities (continued)					
Other Long Term Obligations					
Net Pension Liability:					
SERS	15,367,198	0	6,692,299	8,674,899	0
STRS	48,746,432	0	23,601,611	25,144,821	0
<i>Total Net Pension Liability</i>	64,113,630	0	30,293,910	33,819,720	0
Net OPEB Liability:					
SERS	5,084,654	0	655,659	4,428,995	0
Financed Purchase	78,040	0	78,040	0	0
Leases	773,489	0	143,728	629,761	147,960
Compensated Absences	5,765,124	2,166,882	1,760,364	6,171,642	2,031,754
Asset Retirement Obligation	200,000	0	0	200,000	0
<i>Total General Long-Term Obligations</i>	<u>\$127,171,967</u>	<u>\$2,842,753</u>	<u>\$34,889,792</u>	<u>\$95,124,928</u>	<u>\$2,934,714</u>

Financed purchases were paid from the general fund. Compensated absences will be paid from the general fund and the food service, other local grants and child care special revenue funds. The asset retirement obligation would be paid from the permanent improvement capital projects fund. For additional information related to the asset retirement obligation see Note 21. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from following funds: the general fund and the food service, other local grants, child care, student wellness and success, miscellaneous state grants, title VI-B and miscellaneous federal grants special revenue funds. For additional information related to the net pension and net OPEB liabilities see Notes 16 and 17.

On May 7, 2013, the School District issued \$10,480,000 in school improvement refunding bonds in order to refund a portion of the Series 2006 high school refunding bonds in order to take advantage of lower interest rates. The bonds were issued with interest rates ranging from 1.221 to 2.318 percent. The bonds were issued for an eight year period with final maturity during fiscal year 2022. These bonds will be retired from the bond retirement fund.

The School District deposited \$12,177,798 in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded Series 2006 high school refunding bonds. As a result, \$11,195,000 of these bonds were considered defeased and the liability has been removed from the School District's financial statements. As of June 30, 2022, none of the defeased debt is still outstanding.

On September 11, 2018, the School District issued \$44,499,977 of Series 2018 School Improvement bonds, which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$8,470,000, \$35,500,000 and \$529,977, respectively. The bonds were issued at a premium of \$7,134,164. The school improvement bonds were issued for the purpose of constructing, furnishing, equipping and otherwise improving a new elementary school. The bonds will be retired from the bond retirement fund. The bonds were issued for a thirty-six year period with a final maturity at December 1, 2054. During fiscal year 2020, a portion of the bonds were retired by the School District through an advance refunding. After the advance refunding, the original school improvement bonds have a final maturity of December 1, 2030.

The capital appreciation bonds and a portion of the serial bonds remained outstanding at June 30, 2022. The capital appreciation bonds were originally sold at a discount of \$3,740,023, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2023 through 2031.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The maturity amount of outstanding capital appreciation bonds at June 30, 2022 is \$4,270,000. The accretion recorded for fiscal year 2022 was \$364,175, for a total outstanding bond liability of \$1,496,427 at June 30, 2022.

On December 17, 2019, the School District issued \$43,955,446 of Series 2019 School Improvement refunding bonds, which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$2,385,000, \$40,920,000 and \$650,446, respectively. The bonds were issued at a premium of \$2,314,483. The school improvement bonds were issued for the purpose of refunding a portion of the 2018 school improvement bonds to take advantage of lower interest rates. The bonds will be retired from the bond retirement fund. The bonds were issued for a thirty-five year period with a final maturity at December 1, 2054.

The capital appreciation bonds and a portion of the serial bonds remained outstanding at June 30, 2022. The capital appreciation bonds were originally sold at a discount of \$2,989,554, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2023 through 2031.

The maturity amount of outstanding capital appreciation bonds at June 30, 2022 is \$3,640,000. The accretion recorded for fiscal year 2022 was \$311,696, for a total outstanding bond liability of \$1,278,175 at June 30, 2022.

The term bonds mature on December 1, 2034, 2036, 2038, 2041, 2047 and 2054 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption as follows:

Year	Issue					
	\$2,235,000	\$2,450,000	\$2,725,000	\$4,575,000	\$11,325,000	\$17,610,000
2034	\$1,075,000	\$0	\$0	\$0	\$0	\$0
2036	0	1,195,000	0	0	0	0
2038	0	0	1,335,000	0	0	0
2040	0	0	0	1,430,000	0	0
2041	0	0	0	1,545,000	0	0
2043	0	0	0	0	1,655,000	0
2044	0	0	0	0	1,770,000	0
2045	0	0	0	0	1,845,000	0
2046	0	0	0	0	1,915,000	0
2047	0	0	0	0	2,025,000	0
2049	0	0	0	0	0	2,200,000
2050	0	0	0	0	0	2,330,000
2051	0	0	0	0	0	2,430,000
2052	0	0	0	0	0	2,525,000
2053	0	0	0	0	0	2,620,000
2054	0	0	0	0	0	2,710,000
Total mandatory sinking fund payment:	1,075,000	1,195,000	1,335,000	2,975,000	9,210,000	14,815,000
Amount due at stated maturity	1,160,000	1,255,000	1,390,000	1,600,000	2,115,000	2,795,000
Total	\$2,235,000	\$2,450,000	\$2,725,000	\$4,575,000	\$11,325,000	\$17,610,000
<i>Stated Maturity</i>	12/1/2034	12/1/2036	12/1/2038	12/1/2041	12/1/2047	12/1/2054

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Net proceeds of \$45,895,439 along with the School District’s contribution of \$3,980,295 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, \$43,960,000 of these bonds is considered defeased and the liability for the refunded bonds has been removed from the School District’s financial statements. As of June 30, 2022, \$43,960,000 of the defeased debt are still outstanding.

Although the refunding will result in the recognition of an accounting loss of \$1,192,427, the School District reduced its aggregated debt service payments by \$13,286,747 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$5,871,071.

The overall debt margin of the School District as of June 30, 2022, was \$73,715,523 with an unvoted debt margin of \$1,300,460. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2022, are as follows:

Fiscal Year	Serial	Term	Interest	General Obligation Bonds	
				Capital Appreciation	
				Principal	Interest
2023	\$0	\$0	\$1,500,948	\$284,352	\$470,648
2024	0	0	1,500,948	223,226	566,774
2025	0	0	1,500,948	175,894	654,106
2026	0	0	1,500,948	148,386	796,614
2027	0	0	1,500,948	112,738	837,262
2028-2032	1,340,000	0	7,476,162	235,827	3,404,173
2033-2037	1,035,000	4,685,000	6,892,042	0	0
2038-2042	0	7,300,000	5,836,737	0	0
2043-2047	0	9,210,000	4,420,800	0	0
2048-2052	0	11,600,000	2,578,051	0	0
2053-2055	0	8,125,000	451,232	0	0
Total	\$2,375,000	\$40,920,000	\$35,159,764	\$1,180,423	\$6,729,577

The School District has outstanding agreements to lease equipment. Due to the implementation of GASB Statement 87, these leases have met the criteria of leases thus requiring them to be recorded by the School District. The future lease payments were discounted based on the interest rate implicit in the lease or using the School District’s incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2023	\$147,960	\$17,880
2024	152,317	13,523
2025	130,896	9,084
2026	38,268	6,613
2027	39,688	5,192
2028-2029	120,632	6,528
	\$629,761	\$58,820

Brecksville-Broadview Heights City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 16 – Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$1,209,775 for fiscal year 2022. Of this amount \$59,852 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account 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 at age 50 and after termination of employment.

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. 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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. The fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The School District's contractually required contribution to STRS was \$3,674,901 for fiscal year 2022. Of this amount \$625,254 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.23511060%	0.196660567%	
Prior Measurement Date	<u>0.23233610%</u>	<u>0.201461160%</u>	
Change in Proportionate Share	<u>0.00277450%</u>	<u>-0.004800593%</u>	
Proportionate Share of the Net			
Pension Liability	\$8,674,899	\$25,144,821	\$33,819,720
Pension Expense	(\$757,618)	(\$817,316)	(\$1,574,934)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$837	\$776,853	\$777,690
Changes of assumptions	182,668	6,975,624	7,158,292
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	121,683	63,692	185,375
School District contributions subsequent to the measurement date	<u>1,209,775</u>	<u>3,674,901</u>	<u>4,884,676</u>
Total Deferred Outflows of Resources	<u>\$1,514,963</u>	<u>\$11,491,070</u>	<u>\$13,006,033</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$224,975	\$157,607	\$382,582
Net difference between projected and actual earnings on pension plan investments	4,467,827	21,670,023	26,137,850
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>82,058</u>	<u>1,137,781</u>	<u>1,219,839</u>
Total Deferred Inflows of Resources	<u>\$4,774,860</u>	<u>\$22,965,411</u>	<u>\$27,740,271</u>

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

\$4,884,676 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2023	(\$1,105,603)	(\$3,861,177)	(\$4,966,780)
2024	(930,430)	(3,303,087)	(4,233,517)
2025	(1,062,287)	(3,456,926)	(4,519,213)
2026	<u>(1,371,352)</u>	<u>(4,528,052)</u>	<u>(5,899,404)</u>
Total	<u>(\$4,469,672)</u>	<u>(\$15,149,242)</u>	<u>(\$19,618,914)</u>

Actuarial Assumptions - SERS

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

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

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, 2021, compared with June 30, 2020, are presented below:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Brecksville-Broadview Heights City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2020.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 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 earnings were calculated using the long-term assumed investment rate of return (7.00 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.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$14,432,902	\$8,674,899	\$3,818,924

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

Post-retirement 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of 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 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$47,086,839	\$25,144,821	\$6,603,863

Changes Between the Measurement Date and the Reporting date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 17 - Defined Benefit OPEB Plans

See Note 16 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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 Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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 2022, no allocation 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 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$143,896.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$143,896 for fiscal year 2022. Of this amount \$143,896 is reported as an intergovernmental payable.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients 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, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.23401860%	0.196660567%	
Prior Measurement Date	<u>0.23395710%</u>	<u>0.201461160%</u>	
Change in Proportionate Share	<u>0.00006150%</u>	<u>-0.004800593%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$4,428,995	\$0	\$4,428,995
Net OPEB (Asset)	\$0	(\$4,146,427)	(\$4,146,427)
OPEB Expense	(\$162,460)	(\$336,513)	(\$498,973)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$47,210	\$147,641	\$194,851
Changes of assumptions	694,804	264,856	959,660
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	307,440	10,299	317,739
School District contributions subsequent to the measurement date	<u>143,896</u>	<u>0</u>	<u>143,896</u>
Total Deferred Outflows of Resources	<u><u>\$1,193,350</u></u>	<u><u>\$422,796</u></u>	<u><u>\$1,616,146</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$2,205,838	\$759,700	\$2,965,538
Changes of assumptions	606,514	2,473,646	3,080,160
Net difference between projected and actual earnings on OPEB plan investments	96,221	1,149,318	1,245,539
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>927,303</u>	<u>101,532</u>	<u>1,028,835</u>
Total Deferred Inflows of Resources	<u><u>\$3,835,876</u></u>	<u><u>\$4,484,196</u></u>	<u><u>\$8,320,072</u></u>

\$143,896 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2023	(\$614,213)	(\$1,179,462)	(\$1,793,675)
2024	(614,888)	(1,150,699)	(1,765,587)
2025	(684,644)	(1,086,913)	(1,771,557)
2026	(561,382)	(484,199)	(1,045,581)
2027	(243,281)	(163,498)	(406,779)
Thereafter	<u>(68,014)</u>	<u>3,371</u>	<u>(64,643)</u>
Total	<u><u>(\$2,786,422)</u></u>	<u><u>(\$4,061,400)</u></u>	<u><u>(\$6,847,822)</u></u>

Actuarial Assumptions - SERS

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

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, 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, 2020.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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 2015 through 2020, and was adopted by the Board in 2021. 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, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$5,488,059	\$4,428,995	\$3,582,937

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$3,409,962	\$4,428,995	\$5,790,107

Brecksville-Broadview Heights City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. 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 projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Sensitivity of the School District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net OPEB asset	(\$3,498,944)	(\$4,146,427)	(\$4,687,302)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$4,665,386)	(\$4,146,427)	(\$3,504,686)

Changes Between the Measurement Date and the Reporting date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

Note 18 – Jointly Governed Organizations

Connect

Connect is a jointly governed computer service bureau owned and operated by thirteen public school districts. Connect was formed when the Lakeshore Northeast Ohio Computer Consortium and the Lake Erie Educational Computer Association merged during fiscal year 2012. The primary function of Connect is to provide to its members the support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Major areas of service provided by Connect include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Connect is wholly owned by its member districts and is governed by a Board of Directors (member Superintendents). Connect’s Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant’s degree of control is limited to its representation on the Board. Connect’s current membership includes the Educational Service Center of Cuyahoga County and thirteen school districts in Cuyahoga County. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of Connect. Each school district supports Connect based upon a per pupil charge dependent upon the software packages used. In fiscal year 2022, the School District paid \$124,970 to Connect. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

Cuyahoga Valley Career Center

The Cuyahoga Valley Career Center is a joint vocational school which is a jointly governed organization among eleven school districts. Each participating school district appoints one board member to the Cuyahoga Valley Career Center’s Board of Education. The Board exercises total control over the operations of the Center

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

including budgeting, appropriating, contracting, and designating management. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Cuyahoga Valley Career Center is limited to representation on the board. Continued existence of the Cuyahoga Valley Career Center is not dependent on the School District's continued participation. In fiscal year 2022, the School District did not contribute to Cuyahoga Valley Career Center. Financial information can be obtained from the Cuyahoga Valley Career School District, 8001 Brecksville Road, Brecksville, Ohio 44141.

Ohio Schools Council Association

The Ohio Schools Council (Council) is a jointly governed organization among 247 members. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2022, the School District paid \$5,337 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the Council's natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy (formerly Compass Energy) has been selected as the supplier and program manager. There are currently 165 participants in the program, including the Brecksville-Broadview Heights City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Note 19 – Shared Risk Pool

The Suburban Health Consortium (the "Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors is the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent's designee to be its representative on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors have the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124.

Note 20 – Significant Commitments

Encumbrances

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

General	\$87,403
Building	8,727,036
Other Governmental Funds	768,439
Total	<u><u>\$9,582,878</u></u>

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Contractual Commitments

At June 30, 2022, the School District’s significant contractual commitments consisted of the following:

Project	Contract Amount	Amount Paid	Remaining on Contract
High School Roof Replacement	\$258,775	\$218,381	\$40,394
Tennis Court Replacement	628,484	337,013	291,471
Track Renovation	752,182	23,401	728,781
School District Facilities	37,601,841	30,237,090	7,364,751
Field House	7,890,571	7,350,342	540,229
Total	<u>\$47,131,853</u>	<u>\$38,166,227</u>	<u>\$8,965,626</u>

All of the remaining commitment amounts were encumbered at year end. The amounts of \$1,378,752 and \$2,685,349 in contracts and retainage payable, respectively, have been capitalized.

Note 21 – Asset Retirement Obligation

The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a School District classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$200,000 associated with the School District’s underground storage tanks was estimated by the School District. The remaining useful life of these USTs is 32 years. The School District maintains insurance related to any potential pollution remediation associated with the USTs.

Note 22 – Change in Accounting Principle

For fiscal year 2022, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

GASB Statement 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The School District is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92 – *Omnibus 2020*, and GASB Statement No. 97 -- *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the School District’s 2022 financial statements; however, there was no effect on beginning net position/fund balance.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Note 23 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Brecksville-Broadview Heights City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

(This Page Intentionally Left Blank)

Required Supplementary Information

Brecksville-Broadview Heights City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Nine Fiscal Years (1)

	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.23511060%	0.23233610%	0.23787830%
School District's Proportionate Share of the Net Pension Liability	\$8,674,899	\$15,367,198	\$14,232,677
School District's Covered Payroll	\$8,316,386	\$7,923,536	\$8,388,904
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	104.31%	193.94%	169.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.28352150%	0.24815850%	0.25169350%	0.26081240%	0.27435900%	0.27435900%
\$16,237,801	\$14,826,922	\$18,421,642	\$14,882,208	\$13,885,153	\$16,315,249
\$8,059,985	\$7,942,350	\$7,785,229	\$7,851,813	\$7,972,338	\$7,959,704
201.46%	186.68%	236.62%	189.54%	174.17%	204.97%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

Brecksville-Broadview Heights City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Six Fiscal Years (1)

	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.23401860%	0.23395710%	0.24251020%
School District's Proportionate Share of the Net OPEB Liability	\$4,428,995	\$5,084,654	\$6,098,621
School District's Covered Payroll	\$8,316,386	\$7,923,536	\$8,388,904
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	53.26%	64.17%	72.70%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.28275560%	0.25120810%	0.25403603%
\$7,844,404	\$3,741,765	\$7,240,967
\$8,059,985	\$7,942,350	\$7,785,229
97.33%	47.11%	93.01%
13.57%	12.46%	11.49%

Brecksville-Broadview Heights City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Nine Fiscal Years (1)

	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.196660567%	0.20146116%	0.20082190%
School District's Proportionate Share of the Net Pension Liability	\$25,144,821	\$48,746,432	\$44,410,556
School District's Covered Payroll	\$24,509,414	\$24,915,957	\$23,223,807
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	102.59%	195.64%	191.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.20267251%	0.20213635%	0.20815781%	0.21498607%	0.22338560%	0.22338560%
\$44,563,134	\$48,017,923	\$69,676,694	\$59,415,861	\$54,335,109	\$64,723,626
\$23,045,000	\$22,294,243	\$22,404,614	\$22,802,700	\$22,823,838	\$23,887,869
193.37%	215.38%	310.99%	260.57%	238.06%	270.95%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

Brecksville-Broadview Heights City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2022	2021	2020
School District's Proportion of the Net OPEB (Asset) Liability	0.196660567%	0.20146116%	0.20082190%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$4,146,427)	(\$3,540,676)	(\$3,326,093)
School District's Covered Payroll	\$24,509,414	\$24,915,957	\$23,223,807
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-16.92%	-14.21%	-14.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	174.70%	182.10%	174.70%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

2019	2018	2017
0.20267251%	0.20213635%	0.20815781%
(\$3,256,740)	\$7,886,614	\$11,132,334
\$23,045,000	\$22,294,243	\$22,404,614
-14.13%	35.38%	49.69%
176.00%	47.10%	37.30%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Pension Liability				
Contractually Required Contribution	\$1,209,775	\$1,164,294	\$1,109,295	\$1,132,502
Contributions in Relation to the Contractually Required Contribution	<u>(1,209,775)</u>	<u>(1,164,294)</u>	<u>(1,109,295)</u>	<u>(1,132,502)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$8,641,250	\$8,316,386	\$7,923,536	\$8,388,904
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$143,896	\$111,500	\$116,540	\$184,022
Contributions in Relation to the Contractually Required Contribution	<u>(143,896)</u>	<u>(111,500)</u>	<u>(116,540)</u>	<u>(184,022)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.67%</u>	<u>1.34%</u>	<u>1.47%</u>	<u>2.19%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.67%</u>	<u>15.34%</u>	<u>15.47%</u>	<u>15.69%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$1,088,098	\$1,111,929	\$1,089,932	\$1,034,869	\$1,104,966	\$1,101,623
(1,088,098)	(1,111,929)	(1,089,932)	(1,034,869)	(1,104,966)	(1,101,623)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,059,985	\$7,942,350	\$7,785,229	\$7,851,813	\$7,972,338	\$7,959,704
<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>
\$171,397	\$134,068	\$124,134	\$198,576	\$134,484	\$146,940
(171,397)	(134,068)	(124,134)	(198,576)	(134,484)	(146,940)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.13%</u>	<u>1.69%</u>	<u>1.59%</u>	<u>2.53%</u>	<u>1.69%</u>	<u>1.85%</u>
<u>15.63%</u>	<u>15.69%</u>	<u>15.59%</u>	<u>15.71%</u>	<u>15.55%</u>	<u>15.69%</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Pension Liability				
Contractually Required Contribution	\$3,674,901	\$3,431,318	\$3,488,234	\$3,251,333
Contributions in Relation to the Contractually Required Contribution	<u>(3,674,901)</u>	<u>(3,431,318)</u>	<u>(3,488,234)</u>	<u>(3,251,333)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$26,249,293	\$24,509,414	\$24,915,957	\$23,223,807
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$3,226,300	\$3,121,194	\$3,136,646	\$3,192,378	\$2,967,099	\$3,105,423
(3,226,300)	(3,121,194)	(3,136,646)	(3,192,378)	(2,967,099)	(3,105,423)
\$0	\$0	\$0	\$0	\$0	\$0
\$23,045,000	\$22,294,243	\$22,404,614	\$22,802,700	\$22,823,838	\$23,887,869
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%
\$0	\$0	\$0	\$0	\$228,238	\$238,879
0	0	0	0	(228,238)	(238,879)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Brecksville-Broadview Heights City School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2022, an assumption of 2.0 percent was used for COLA or Ad Hoc Cola. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for 2022 use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Brecksville-Broadview Heights City School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

Changes in Assumptions - STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	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	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

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

Brecksville-Broadview Heights City School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

Net OPEB Liability

Changes in Assumptions – SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

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

Municipal Bond Index Rate:

Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

Brecksville-Broadview Heights City School District

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

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

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

Changes in Benefit Terms – STRS OPEB

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

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

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022 premium based on June 30, 2021 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

This Page Intentionally Left Blank.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brecksville-Broadview Heights City School District, Cuyahoga County, Ohio (the “School District”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 28, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
December 28, 2022

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brecksville-Broadview Heights City School District’s, Cuyahoga County, Ohio (the “School District”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2022. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
December 28, 2022

Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/ Pass Through Grantor/ Program Title	Assistance Listing Number	Grant Year	Federal Disbursements	Passed Through to Subrecipients
U. S. Department of Education				
(Passed Through Ohio Department of Education):				
<i>Title I Grants to Local Education Agencies:</i>				
Title I Grants to Local Education Agencies	84.010A	2021 & 2022	\$ 277,550	\$ 0
Expanding Opportunities for Each Child Non-Competitive Grant	84.010A	2022	9,254	0
Total Title I Grants to Local Education Agencies			<u>286,804</u>	<u>0</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States	84.027A	2021 & 2022	758,289	0
American Rescue Plan IDEA Part B Special Education - COVID-19	84.027X	2022	161,581	0
Total Special Education - Grants to States			<u>919,870</u>	<u>0</u>
IDEA Early Childhood	84.173A	2021	21,003	0
American Rescue Plan IDEA Early Childhood Special Education - COVID-19	84.173X	2022	13,450	0
Total Special Education Cluster			<u>954,323</u>	<u>0</u>
Title II-A Improving Teacher Quality	84.367A	2021	595	0
Title II-A Improving Teacher Quality	84.367A	2022	78,356	0
Total Title II Grants			<u>78,951</u>	<u>0</u>
Title III English Language Acquisition Grant	84.365A	2022	12,725	0
Title IV-A	84.424A	2022	16,250	0
<i>Education Stabilization Fund</i>				
ESSER II	84.425D	2022	439,893	0
ARP ESSER	84.425U	2022	1,900,207	0
ARP ESSER State Activity	84.425U	2022	279,910	0
ARP Homeless Round II	84.425U	2022	2,531	0
Total Education Stabilization Fund			<u>2,622,541</u>	<u>0</u>
Total U.S. Department of Education			<u>3,971,594</u>	<u>0</u>
US Department of the Treasury				
(Passed through the Ohio Department of Education)				
<i>Coronavirus Relief Fund</i>				
Broadband Connectivity- COVID-19	21.019	2021	2,750	0
Total Coronavirus Relief Fund			<u>2,750</u>	<u>0</u>
Total U.S. Department of the Treasury			<u>2,750</u>	<u>0</u>
U. S. Department of Agriculture				
(Passed Through Ohio Department of Education):				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
School Breakfast Program	10.553	2022	13,491	0
National School Lunch Program	10.555	2022	98,015	0
<i>Non-Cash Assistance Subtotal:</i>			<u>111,506</u>	<u>0</u>
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2022	172,890	0
National School Lunch Program	10.555	2022	1,175,078	0
National School Lunch Program: COVID-19	10.555	2022	80,996	0
<i>Cash Assistance Subtotal:</i>			<u>1,428,964</u>	<u>0</u>
Total Child Nutrition Cluster			<u>1,540,470</u>	<u>0</u>
Pandemic EBT Administrative Costs: COVID-19	10.649	2022	614	0
Total Coronavirus Relief Fund			<u>614</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>1,541,084</u>	<u>0</u>
U. S. Department of Health and Human Services				
Direct:				
Drug-Free Communities Support Program Grants	93.276	2021	22,451	0
Drug-Free Communities Support Program Grants	93.276	2022	54,102	0
Total Drug-Free Communities Support Program Grants			<u>76,553</u>	<u>0</u>
Total U.S. Department of Health and Human Services			<u>76,553</u>	<u>0</u>
Total Federal Assistance			<u>\$ 5,591,981</u>	<u>\$ 0</u>

See accompanying notes to schedule of expenditures of federal awards.

Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Brecksville-Broadview Heights City School District (the School District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

Brecksville-Broadview Heights City School District
Cuyahoga County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2022

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None Reported
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	None Reported
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): COVID-19 Education Stabilization Fund – COVID-19 & ARP-Education Stabilization Fund Nutrition Cluster School Breakfast Program National School Lunch Program	ALN # 84.425D & 84.425U ALN# 10.553 ALN# 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: All Others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

OHIO AUDITOR OF STATE KEITH FABER



BRECKSVILLE-BROADVIEW HEIGHTS CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/14/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov