



OHIO AUDITOR OF STATE
KEITH FABER



**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
JUNE 30, 2020**

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CARROLL COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



Conference Center, Suite 154
6000 Frank Ave. NW
North Canton, OH 44720
EastRegion@ohioauditor.gov
(800) 443-9272

INDEPENDENT AUDITOR'S REPORT

Brown Local School District
Carroll County
3242 Coral Road NW
Malvern, Ohio 44644

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Brown Local School District, Carroll County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 14, 2021

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The management's discussion and analysis of the Brown Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position of governmental activities decreased \$735,826 which represents a 10.16% decrease from 2019's restated net position.
- General revenues accounted for \$8,884,530 in revenue or 82.20% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,923,556 or 17.80% of total revenues of \$10,808,086.
- The District had \$11,543,912 in expenses related to governmental activities; only \$1,923,556 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,884,530 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$8,512,269 in revenues and \$8,430,669 in expenditures. During fiscal 2020, the general fund's fund balance increased \$81,600 from a restated balance of \$5,772,524 to \$5,854,124.
- The bond retirement fund had \$958,000 in revenues and \$940,220 in expenditures. During fiscal 2020, the bond retirement fund's fund balance increased \$17,780 from a balance of \$754,897 to \$772,677.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, extracurricular activities, pupil transportation, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in custodial funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension and net OPEB liability/asset.

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2020 and June 30, 2019. Amounts for 2019 have been restated due to the implementation of GASB Statement No. 84.

	Net Position	
	Governmental Activities <u>2020</u>	Restated Governmental Activities <u>2019</u>
<u>Assets</u>		
Current and other assets	\$ 13,963,342	\$ 12,408,649
Capital assets, net	<u>23,243,270</u>	<u>24,276,113</u>
Total assets	<u>37,206,612</u>	<u>36,684,762</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	1,537,361	1,589,402
Pension	1,375,385	1,928,698
OPEB	<u>180,259</u>	<u>140,924</u>
Total deferred outflows of resources	<u>3,093,005</u>	<u>3,659,024</u>
<u>Liabilities</u>		
Current liabilities	1,550,518	1,386,162
Long-term liabilities:		
Due within one year	336,166	316,001
Due in more than one year:		
Net pension liability	6,851,244	6,852,920
Net OPEB liability	651,851	709,958
Other amounts	<u>19,018,048</u>	<u>19,122,793</u>
Total liabilities	<u>28,407,827</u>	<u>28,387,834</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	4,270,237	3,470,780
Pension	430,394	542,699
OPEB	<u>682,358</u>	<u>697,846</u>
Total deferred inflows of resources	<u>5,382,989</u>	<u>4,711,325</u>
<u>Net position</u>		
Net investment in capital assets	6,412,633	7,149,444
Restricted	897,911	706,428
Unrestricted (deficit)	<u>(801,743)</u>	<u>(611,245)</u>
Total net position	<u>\$ 6,508,801</u>	<u>\$ 7,244,627</u>

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,508,801.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 13 for more detail.

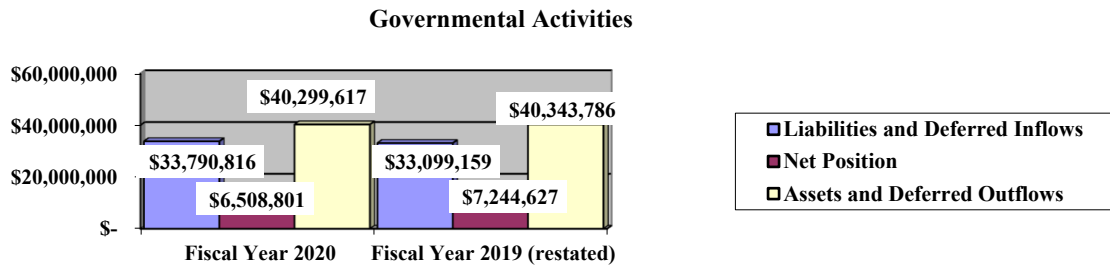
Total assets include a net OPEB asset reported by STRS. See Note 14 for more detail.

At year-end, capital assets represented 62.47% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2020, was \$6,412,633. These capital assets are used to provide services to the students and are not available for future spending. A portion of the District's net position, \$897,911, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$801,743.

Long-term liabilities decreased primarily due to a decrease in the net pension liability and net OPEB liability. These liabilities are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

Current liabilities for fiscal year 2020 increased approximately \$164,000 over fiscal year 2019. The primary reason for this is due to amounts owed to the Stark County Educational Service Center (ESC) for services provided to the District during fiscal year 2020. In fiscal year 2019, the amounts owed to the ESC were paid before fiscal year end.

The graph below presents the District's governmental activities assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2020 and June 30, 2019. Amounts at June 30, 2019 have been restated due to the implementation of GASB Statement No. 84.



**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The table below shows the change in net position for fiscal years 2020 and 2019. Amounts for 2019 have been restated due to the implementation of GASB Statement No. 84.

	Change in Net Position	
	Governmental Activities 2020	Restated Governmental Activities 2019
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 794,580	\$ 778,805
Operating grants and contributions	1,128,976	861,119
General revenues:		
Property taxes	5,111,633	4,687,568
Grants and entitlements	3,620,126	3,629,821
Investment earnings	129,822	155,841
Other	<u>22,949</u>	<u>22,038</u>
Total revenues	<u>10,808,086</u>	<u>10,135,192</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,309,546	\$ 3,889,406
Special	1,351,334	1,034,234
Vocational	163,788	122,171
Support services:		
Pupil	518,533	422,697
Instructional staff	555,630	381,768
Board of education	255,924	274,364
Administration	765,853	663,023
Fiscal	197,548	132,394
Operations and maintenance	800,277	679,861
Pupil transportation	500,143	509,167
Central	5,956	5,946
Food service operations	384,132	326,427
Other non-instructional services	7,681	-
Extracurricular activities	846,948	656,034
Interest and fiscal charges	<u>880,619</u>	<u>826,497</u>
Total expenses	<u>11,543,912</u>	<u>9,923,989</u>
Change in net position	(735,826)	211,203
Net position at beginning of year (restated)	<u>7,244,627</u>	<u>7,033,424</u>
Net position at end of year	<u>\$ 6,508,801</u>	<u>\$ 7,244,627</u>

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Governmental Activities

Net position of the District's governmental activities decreased \$735,826. Total governmental expenses of \$11,543,912 were offset by program revenues of \$1,923,556 and general revenues of \$8,884,530. Program revenues supported 16.66% of the total governmental expenses.

Overall, expenses of the governmental activities increased \$1,619,923 or 16.32%. This increase is primarily the result of an increase in pension expense and OPEB expense.

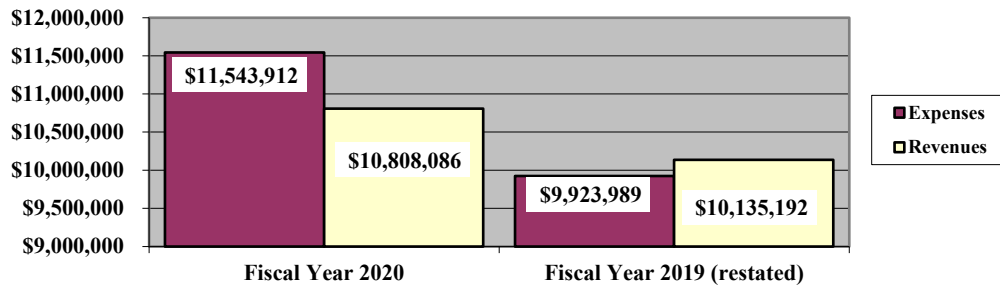
On an accrual basis, the District reported \$982,658 and \$605,867 in pension expense for fiscal year 2020 and 2019, respectively. In addition, the District reported (\$98,748) and (\$819,881) in OPEB expense for fiscal year 2020 and 2019, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2019 to fiscal year 2020 was \$1,097,924. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 80.79% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,824,668 or 50.46% of total governmental expenses for fiscal 2020.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2020 and 2019. Amounts for fiscal year 2019 have been restated due to the implementation of GASB Statement No. 84.

Governmental Activities - Revenues and Expenses



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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

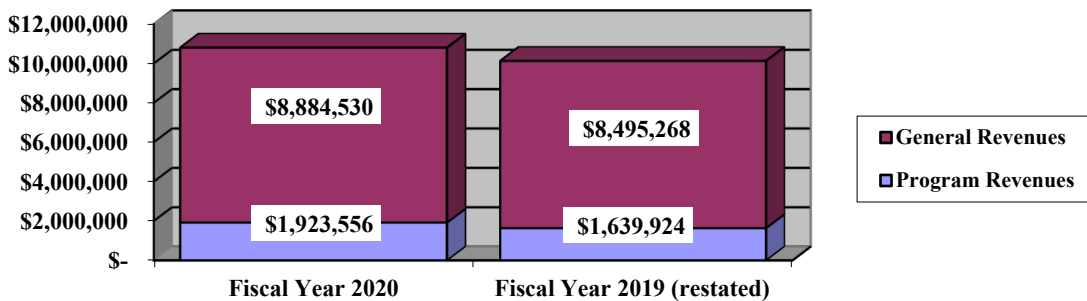
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

	Governmental Activities			
	Total Cost of Services 2020	Net Cost of Services 2020	Restated Total Cost of Services 2019	Restated Net Cost of Services 2019
Program expenses				
Instruction:				
Regular	\$ 4,309,546	\$ 3,684,516	\$ 3,889,406	\$ 3,247,353
Special	1,351,334	823,970	1,034,234	577,625
Vocational	163,788	157,078	122,171	115,461
Support services:				
Pupil	518,533	297,501	422,697	368,935
Instructional staff	555,630	523,275	381,768	372,195
Board of education	255,924	255,924	274,364	274,364
Administration	765,853	765,553	663,023	662,723
Fiscal	197,548	197,548	132,394	132,394
Operations and maintenance	800,277	800,277	679,861	679,861
Pupil transportation	500,143	500,143	509,167	509,167
Central	5,956	5,956	5,946	5,946
Food service operations	384,132	55,416	326,427	47,817
Other non-instructional services	7,681	7,681	-	-
Extracurricular activities	846,948	664,899	656,034	463,727
Interest and fiscal charges	880,619	880,619	826,497	826,497
Total	<u>\$ 11,543,912</u>	<u>\$ 9,620,356</u>	<u>\$ 9,923,989</u>	<u>\$ 8,284,065</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 80.10% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.34%.

The graph below presents the District's governmental activities revenue for fiscal year 2020 and 2019. Amounts for 2019 have been restated due to the implementation of GASB Statement No. 84.

Governmental Activities - General and Program Revenues



**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund balance of \$7,495,485, which is greater than last year's restated total of \$7,023,710. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019.

	Fund Balance <u>June 30, 2020</u>	Restated Fund Balance <u>June 30, 2019</u>	Increase <u>(Decrease)</u>
General	\$ 5,854,124	\$ 5,772,524	\$ 81,600
Bond retirement	772,677	754,897	17,780
Other governmental	<u>868,684</u>	<u>496,289</u>	<u>372,395</u>
Total	<u>\$ 7,495,485</u>	<u>\$ 7,023,710</u>	<u>\$ 471,775</u>

General Fund

The District's general fund balance increased \$81,600. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2020</u> Amount	<u>2019</u> Amount	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,036,814	\$ 3,703,771	\$ 333,043	8.99 %
Tuition	541,702	470,761	70,941	15.07 %
Earnings on investments	129,568	155,116	(25,548)	(16.47) %
Intergovernmental	3,753,173	3,804,446	(51,273)	(1.35) %
Extracurricular	20,460	58,535	(38,075)	(65.05) %
Other revenues	<u>30,552</u>	<u>39,804</u>	<u>(9,252)</u>	<u>(23.24) %</u>
Total	<u>\$ 8,512,269</u>	<u>\$ 8,232,433</u>	<u>\$ 279,836</u>	3.40 %
<u>Expenditures</u>				
Instruction	\$ 4,859,644	\$ 4,709,200	\$ 150,444	3.19 %
Support services	3,144,486	3,105,572	38,914	1.25 %
Operation of non-instructional services	16,034	-	16,034	100.00 %
Extracurricular activities	392,118	516,894	(124,776)	(24.14) %
Facilities acquisition and construction	-	93,344	(93,344)	(100.00) %
Debt service	<u>18,387</u>	<u>18,387</u>	<u>-</u>	- %
Total	<u>\$ 8,430,669</u>	<u>\$ 8,443,397</u>	<u>\$ (12,728)</u>	(0.15) %

Overall general fund revenues increased 3.40%. The most significant increase was in taxes. This is due to the increased assessed valuation of taxable property. Expenditures decreased 0.15% from the previous fiscal year.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Bond Retirement Fund

The bond retirement fund had \$958,000 in revenues and \$940,220 in expenditures. During fiscal 2020, the bond retirement fund's fund balance increased \$17,780 from a balance of \$754,897 to \$772,677.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$281,679 more than original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2020 were \$8,544,161. This represents a \$32,518 decrease from final budgeted revenues and other financing sources.

General fund final budgeted appropriations and other financing uses were \$543,852 greater than original budgeted appropriations and other financing uses. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$8,851,323, which was \$1,173,677 less than the final budget appropriations and other financing uses. This is due to the District's conservative, or, worst case scenario, budgeting approach.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$23,243,270 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles, net of depreciation. This entire amount is reported in governmental activities. The following table shows fiscal year 2020 balances compared to 2019:

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

	Governmental Activities	
	2020	2019
Land	\$ 540,993	\$ 540,993
Construction in progress	66,747	53,696
Land improvements	396,043	429,101
Building and improvements	21,831,751	22,660,436
Furniture and equipment	174,233	293,278
Vehicles	233,503	298,609
Total	\$ 23,243,270	\$ 24,276,113

The overall decrease in capital assets (net of accumulated depreciation) of \$1,032,843 is due to capital asset additions of \$35,133 being less than depreciation expense of \$1,067,976.

See Note 8 for additional information on the District's capital assets.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Debt Administration

At June 30, 2020, the District had \$16,796,835 in general obligation bonds and capital leases outstanding. Of this total, \$304,353 is due within one year and \$16,492,482 is due in more than one year. The following table summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>
General obligation bonds	\$ 16,777,468	\$ 16,789,662
Capital leases	<u>19,367</u>	<u>36,366</u>
Total	<u>\$ 16,796,835</u>	<u>\$ 16,826,028</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District relies on property tax revenue coupled with State revenue to maintain the education of our student body. During fiscal year 2020, the District did see growth in local tax revenue, but State revenue declined due to cuts related to the COVID-19 pandemic. The overall financial goal of the District is to maintain a positive cash balance and keep expenditures in line with available revenue. The District will be able to maintain that positive cash balance for the foreseeable future. The District's administration will be actively trying to evaluate expenditures moving forward to make sure expenses stay in line with revenue.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. James Carman, Treasurer, Brown Local School District, 3242 Coral Road NW, Malvern, Ohio 44644.

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**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 7,546,088
Receivables:	
Property taxes	5,693,359
Accounts.	765
Accrued interest	3,498
Intergovernmental	275,370
Prepaid bond insurance	34,500
Inventory held for resale.	11,032
Net OPEB asset	398,730
Capital assets:	
Nondepreciable capital assets	607,740
Depreciable capital assets, net.	22,635,530
Capital assets, net	23,243,270
Total assets.	37,206,612
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,537,361
Pension.	1,375,385
OPEB	180,259
Total deferred outflows of resources	3,093,005
Liabilities:	
Accounts payable.	69,840
Accrued wages and benefits	724,332
Intergovernmental payable	362,095
Pension and postemployment benefits payable.	122,379
Accrued interest payable	271,872
Long-term liabilities:	
Due within one year.	336,166
Due in more than one year:	
Net pension liability	6,851,244
Net OPEB liability	651,851
Other amounts due in more than one year	19,018,048
Total liabilities	28,407,827
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,270,237
Pension	430,394
OPEB.	682,358
Total deferred inflows of resources	5,382,989
Net position:	
Net investment in capital assets	6,412,633
Restricted for:	
Capital projects	327,199
Classroom facilities maintenance	280,596
Locally funded programs	6,345
State funded programs.	196,853
Federally funded programs	104
Student activities	86,814
Unrestricted (deficit)	(801,743)
Total net position.	\$ 6,508,801

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental
				Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,309,546	\$ 455,099	\$ 169,931	\$ (3,684,516)
Special	1,351,334	86,615	440,749	(823,970)
Vocational	163,788	-	6,710	(157,078)
Support services:				
Pupil	518,533	17,590	203,442	(297,501)
Instructional staff	555,630	-	32,355	(523,275)
Board of education	255,924	-	-	(255,924)
Administration	765,853	-	300	(765,553)
Fiscal	197,548	-	-	(197,548)
Operations and maintenance	800,277	-	-	(800,277)
Pupil transportation	500,143	-	-	(500,143)
Central	5,956	-	-	(5,956)
Operation of non-instructional services:				
Food service operations	384,132	53,227	275,489	(55,416)
Other non-instructional services	7,681	-	-	(7,681)
Extracurricular activities	846,948	182,049	-	(664,899)
Interest and fiscal charges	880,619	-	-	(880,619)
Total	\$ 11,543,912	\$ 794,580	\$ 1,128,976	(9,620,356)
		General revenues:		
		Property taxes levied for:		
		General purposes	4,149,845	
		Debt service	858,305	
		Capital outlay	54,963	
		Classroom facilities maintenance	48,520	
		Grants and entitlements not restricted to specific programs	3,620,126	
		Investment earnings	129,822	
		Miscellaneous	22,949	
		Total general revenues	8,884,530	
		Change in net position		(735,826)
		Net position at beginning of year (restated)		7,244,627
		Net position at end of year		\$ 6,508,801

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 5,988,385	\$ 672,898	\$ 884,805	\$ 7,546,088
Receivables:				
Property taxes	4,517,956	1,043,326	132,077	5,693,359
Accounts	379	-	386	765
Accrued interest	3,498	-	-	3,498
Interfund loans	80,000	-	-	80,000
Intergovernmental	69,655	-	205,715	275,370
Inventory held for resale	-	-	11,032	11,032
Due from other funds	30,788	-	-	30,788
Total assets	<u>\$ 10,690,661</u>	<u>\$ 1,716,224</u>	<u>\$ 1,234,015</u>	<u>\$ 13,640,900</u>
Liabilities:				
Accounts payable	\$ 55,105	\$ -	\$ 14,735	\$ 69,840
Accrued wages and benefits	649,732	-	74,600	724,332
Compensated absences payable	8,865	-	-	8,865
Intergovernmental payable	361,424	-	671	362,095
Pension and postemployment benefits payable	109,368	-	13,011	122,379
Interfund loans payable	-	-	80,000	80,000
Due to other funds	-	-	30,788	30,788
Total liabilities	<u>1,184,494</u>	<u>-</u>	<u>213,805</u>	<u>1,398,299</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,287,400	870,971	111,866	4,270,237
Delinquent property tax revenue not available	299,110	72,576	9,052	380,738
Intergovernmental revenue not available	62,035	-	30,608	92,643
Accrued interest not available	3,498	-	-	3,498
Total deferred inflows of resources	<u>3,652,043</u>	<u>943,547</u>	<u>151,526</u>	<u>4,747,116</u>
Fund balances:				
Nonspendable:				
Unclaimed monies	9,060	-	-	9,060
Restricted:				
Debt service	-	772,677	-	772,677
Capital improvements	-	-	322,190	322,190
Classroom facilities maintenance	-	-	276,553	276,553
Food service operations	-	-	8,149	8,149
Extracurricular activities	-	-	86,814	86,814
Student wellness and success	-	-	196,853	196,853
Other purposes	-	-	6,345	6,345
Committed:				
Termination benefits	200,231	-	-	200,231
Assigned:				
Student instruction	26,777	-	-	26,777
Student and staff support	222,437	-	-	222,437
Subsequent year's appropriations	412,553	-	-	412,553
Other purposes	8,190	-	-	8,190
Unassigned (deficit)	<u>4,974,876</u>	<u>-</u>	<u>(28,220)</u>	<u>4,946,656</u>
Total fund balances	<u>5,854,124</u>	<u>772,677</u>	<u>868,684</u>	<u>7,495,485</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,690,661</u>	<u>\$ 1,716,224</u>	<u>\$ 1,234,015</u>	<u>\$ 13,640,900</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total governmental fund balances		\$	7,495,485
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			23,243,270
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	380,738	
Accrued interest receivable		3,498	
Intergovernmental receivable		92,643	
Total			476,879
Prepaid bond insurance is not recorded as an asset in the funds, however, on the statement of net position it is report as an asset and amortized over the life of the bonds.			34,500
Unamortized premiums and discounts on bonds issued are not recognized in the funds.			(2,330,734)
Unamortized amounts on refundings are not recognized in the funds.			1,537,361
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(271,872)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - pension		1,375,385	
Deferred inflows - pension		(430,394)	
Net pension liability		(6,851,244)	
Total			(5,906,253)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - OPEB		180,259	
Deferred inflows - OPEB		(682,358)	
Net OPEB asset		398,730	
Net OPEB liability		(651,851)	
Total			(755,220)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(16,777,468)	
Capital lease obligations		(19,367)	
Compensated absences		(217,780)	
Total			(17,014,615)
Net position of governmental activities		\$	6,508,801

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,036,814	\$ 829,454	\$ 101,156	\$ 4,967,424
Tuition	541,702	-	-	541,702
Transportation fees	1,002	-	-	1,002
Earnings on investments	129,568	-	298	129,866
Charges for services	-	-	51,330	51,330
Extracurricular	20,460	-	177,927	198,387
Classroom materials and fees	12	-	-	12
Other local revenues	29,538	-	2,147	31,685
Intergovernmental - state	3,636,177	128,546	219,488	3,984,211
Intergovernmental - federal	116,996	-	723,881	840,877
Total revenues	<u>8,512,269</u>	<u>958,000</u>	<u>1,276,227</u>	<u>10,746,496</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,473,735	-	168,939	3,642,674
Special	1,234,050	-	147,997	1,382,047
Vocational	151,859	-	-	151,859
Support services:				
Pupil	470,558	-	-	470,558
Instructional staff	489,143	-	32,705	521,848
Board of education	230,251	25,195	3,145	258,591
Administration	672,361	-	300	672,661
Fiscal	189,962	-	-	189,962
Operations and maintenance	666,525	-	30,599	697,124
Pupil transportation	419,730	-	-	419,730
Central	5,956	-	-	5,956
Operation of non-instructional services:				
Food service operations	8,865	-	324,688	333,553
Other non-instructional services	7,169	-	512	7,681
Extracurricular activities	392,118	-	190,236	582,354
Facilities acquisition and construction	-	-	4,711	4,711
Debt service:				
Principal retirement	16,999	132,900	-	149,899
Interest and fiscal charges	1,388	595,025	-	596,413
Accreted interest on capital appreciation bonds	-	187,100	-	187,100
Total expenditures	<u>8,430,669</u>	<u>940,220</u>	<u>903,832</u>	<u>10,274,721</u>
Net change in fund balances	81,600	17,780	372,395	471,775
Fund balances at beginning of year (restated)	<u>5,772,524</u>	<u>754,897</u>	<u>496,289</u>	<u>7,023,710</u>
Fund balances at end of year	<u>\$ 5,854,124</u>	<u>\$ 772,677</u>	<u>\$ 868,684</u>	<u>\$ 7,495,485</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$	471,775
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 35,133	
Current year depreciation	<u>(1,067,976)</u>	
Total		(1,032,843)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	144,209	
Earnings on investments	254	
Intergovernmental	<u>(37,489)</u>	
Total		106,974
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	132,900	
Capital leases	16,999	
Accreted interest on capital appreciation bonds	<u>187,100</u>	
Total		336,999
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	848	
Accreted interest on capital appreciation bonds	(307,806)	
Amortization of prepaid bond insurance	(1,168)	
Amortization of bond premiums and discounts	75,961	
Amortization of deferred charges	<u>(52,041)</u>	
Total		(284,206)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		543,326
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(982,658)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		17,768
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB asset/liability are reported as OPEB expense in the statement of activities.		
		98,748
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(11,709)</u>
Change in net position of governmental activities	\$	<u>(735,826)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,777,641	\$ 4,132,385	\$ 4,132,848	\$ 463
Tuition.	482,278	541,701	541,701	-
Transportation fees.	10,000	1,002	1,002	-
Earnings on investments	75,000	108,349	104,653	(3,696)
Classroom materials and fees	150	123	123	-
Other local revenues	38,250	15,975	16,690	715
Intergovernmental - state	3,851,681	3,637,477	3,637,477	-
Intergovernmental - federal	30,000	109,667	109,667	-
Total revenues	<u>8,265,000</u>	<u>8,546,679</u>	<u>8,544,161</u>	<u>(2,518)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,762,678	3,832,875	3,517,074	315,801
Special.	1,133,109	1,375,095	1,294,578	80,517
Vocational.	155,925	154,450	150,293	4,157
Support services:				
Pupil.	520,545	502,291	506,003	(3,712)
Instructional staff	476,161	545,208	489,917	55,291
Board of education	276,423	295,137	249,834	45,303
Administration.	750,236	743,078	691,154	51,924
Fiscal	198,565	196,161	194,461	1,700
Operations and maintenance.	780,999	841,959	796,550	45,409
Pupil transportation	541,044	553,480	456,973	96,507
Central.	3,961	6,203	6,203	-
Other non-instructional services	15,000	15,000	15,000	-
Extracurricular activities.	498,840	502,410	383,283	119,127
Total expenditures	<u>9,113,486</u>	<u>9,563,347</u>	<u>8,751,323</u>	<u>812,024</u>
Excess of expenditures over revenues.	<u>(848,486)</u>	<u>(1,016,668)</u>	<u>(207,162)</u>	<u>809,506</u>
Other financing sources (uses):				
Transfers (out).	(50,000)	(50,000)	(50,000)	-
Advances in.	30,000	30,000	-	(30,000)
Advances (out)	<u>(317,662)</u>	<u>(411,653)</u>	<u>(50,000)</u>	<u>361,653</u>
Total other financing sources (uses)	<u>(337,662)</u>	<u>(431,653)</u>	<u>(100,000)</u>	<u>331,653</u>
Net change in fund balance	(1,186,148)	(1,448,321)	(307,162)	1,141,159
Fund balance at beginning of year	4,980,905	4,980,905	4,980,905	-
Prior year encumbrances appropriated	481,148	481,148	481,148	-
Fund balance at end of year	<u>\$ 4,275,905</u>	<u>\$ 4,013,732</u>	<u>\$ 5,154,891</u>	<u>\$ 1,141,159</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Custodial</u>
Assets:	
Equity in pooled cash and investments.	\$ 15,765
Net position:	
Restricted for individuals, organizations and other governments . . .	15,765
Total net position.	<u>\$ 15,765</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Custodial
Additions:	
Contributions and donations for scholarships	\$ 11,200
Extracurricular amounts collected for OHSAA	5,300
Total additions.	16,500
 Deductions:	
Extracurricular distributions to OHSAA	5,300
Scholarships awarded.	1,000
Total deductions	6,300
Change in net position	10,200
Net position at beginning of year (restated)	5,565
Net position at end of year	\$ 15,765

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Brown Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal agencies.

The District is located in Malvern, Carroll County, Ohio and serves an area of approximately 33 square miles including the northwest portion of Carroll County and a small portion of southeast Stark County. The District’s facilities are staffed by 23 classified employees and 67 certified employees who provide services to 649 students and other community members. The District operates one school building for students K-12 and one support building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium

The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments pursuant to State statutes made up of public school districts and county boards of education from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent with the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the Board of Directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. The District paid \$105,871 to SPARCC during fiscal year 2020 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 6057 Strip Avenue NW, North Canton, Ohio 44720.

PUBLIC ENTITY RISK POOL

Stark County School Council of Governments Health Benefit Plan

The Stark County School Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating member. The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating members, based on the established premiums for the insurance plans. Each member reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

INSURANCE PURCHASING POOL

Schools of Ohio Risk Sharing Authority (SORSA)

SORSA is a risk sharing insurance pool. The pool consists of 112 school districts, joint vocational schools, and educational services centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

B. Fund Accounting

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

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 and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Custodial funds account for fiduciary activities not required to be reported in a trust fund. The District's custodial funds account for Ohio High School Athletic Association (OHSAA) tournament monies and scholarship programs in which the District has no administrative involvement.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. 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. Fiduciary funds also use the accrual basis of accounting.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 13 and 14 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

For the District, see Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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.

E. Budgets

All 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. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2020, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit, mutual funds, U.S. Treasury notes, commercial paper and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$129,568, which includes \$28,262 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current position.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	4 - 5 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Interfund loans that are used to cover negative cash balances are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty-two or greater with at least twenty-two years of service, age fifty-seven or greater with at least two years of service or any age with at least twenty-seven years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. 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, claims and judgments, compensated absences, net pension liability and net OPEB liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds and capital leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Unamortized Bond Premiums, Discounts/Refunding Difference and Prepaid Bond Insurance

Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

Prepaid bond insurance is amortized over the term of the bonds using the straight-line method.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This refunding difference is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from refunding are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.

M. Fund Balance

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

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

N. Net Position

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

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

O. Interfund Transactions

Interfund transfers are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of activities.

P. Pensions/Other Postemployment Benefits (OPEB)

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

S. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

T. Prepayments

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 84, “*Fiduciary Activities*” and GASB Statement No. 90, “*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*”.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its fiduciary funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District’s financial statements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

B. Restatement of Net Position and Fund Balances

The implementation of GASB Statement No. 84 had the following effect on fund balance as reported at June 30, 2019:

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance as previously reported	\$ 5,772,165	\$ 754,897	\$ 436,221	\$ 6,963,283
GASB Statement No. 84	<u>359</u>	<u>-</u>	<u>60,068</u>	<u>60,427</u>
Restated Fund Balance, at June 30, 2019	<u>\$ 5,772,524</u>	<u>\$ 754,897</u>	<u>\$ 496,289</u>	<u>\$ 7,023,710</u>

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**BROWN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 84 had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	\$ 7,184,200
GASB Statement No. 84	60,427
Restated net position at June 30, 2019	\$ 7,244,627

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$5,565. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds and private-purpose trust funds. At June 30, 2019, agency funds reported assets and liabilities of \$60,427. At June 30, 2019, private-purpose trust funds reported net position of \$5,565.

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 11,408
Title I	14,674
Improving teacher quality	2,138

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, 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 on through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time if training requirements have been met.

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of the 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.

A. Cash on Hand

At fiscal year end, the District had \$600 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and investments”.

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$(206,236). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2020, the District’s entire bank balance of \$99,900 was covered by the FDIC.

C. Investments

As of June 30, 2020, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>value</u>	<u>Investment maturities</u>		
		6 months or <u>less</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Fair value:</i>				
Negotiable CDs	\$ 785,690	\$ 438,743	\$ 57,443	\$ 289,504
U.S. Treasury Notes	110,432	110,432	-	-
Commercial Paper	234,912	234,912	-	-
<i>Cost:</i>				
Repurchase Agreement	6,408,760	6,408,760	-	-
U.S. Government Money Market	12,602	12,602	-	-
<i>Net asset value per share:</i>				
STAR Ohio	215,093	215,093	-	-
	<u>\$ 7,767,489</u>	<u>\$ 7,420,542</u>	<u>\$ 57,443</u>	<u>\$ 289,504</u>

The weighted average maturity of investments is 0.15 years.

The District’s investments in U.S. Treasury notes, commercial paper and negotiable CDs are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's mutual funds carry a rating of AAAM and Aaa-mf by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper were rated A-1+ or A-1 by Standard & Poor's and P-1 by Moody's Investor Services, respectively. The negotiable certificates of deposit are not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable CDs are covered by FDIC. The U.S. Treasury notes and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of fair value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer.

<u>Measurement/ Investment type</u>	<u>Measurement value</u>	<u>% of Total</u>
<i>Fair value:</i>		
Negotiable CDs	\$ 785,690	10.12
U.S Treasury Note	110,432	1.42
Commercial Paper	234,912	3.02
<i>Cost:</i>		
Repurchase Agreement	6,408,760	82.51
U.S. Government Money Market	12,602	0.16
<i>Net asset value per share:</i>		
STAR Ohio	<u>215,093</u>	<u>2.77</u>
	<u>\$ 7,767,489</u>	<u>100.00</u>

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (206,236)
Cash on hand	600
Investments	<u>7,767,489</u>
Total	<u>\$ 7,561,853</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 7,546,088
Custodial funds	<u>15,765</u>
Total	<u>\$ 7,561,853</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2020 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$ 80,000</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. The initial intent was to repay these balances within one year. However, the District is determining if repayment is possible or if all portions of these balances will be converted to permanent transfers.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund balances consisted of the following due to/from other funds at June 30, 2020, as reported on the fund statements:

<u>Due to the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 30,788</u>

The primary purpose of the interfund loans due to the general fund is to cover negative cash balances in the nonmajor governmental funds. These negative cash balances are allowable under Ohio Revised Code Section 3315.20. The interfund balances will be repaid once the anticipated revenues are received.

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Carroll and Stark Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$931,446 in the general fund, \$99,779 in the bond retirement fund, \$5,720 in the permanent improvement fund (a nonmajor governmental fund) and \$5,439 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2019 was \$1,027,480 in the general fund, \$241,837 in the bond retirement fund, \$17,214 in the permanent improvement fund (a nonmajor governmental fund) and \$15,230 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 126,063,110	93.49	\$ 143,395,750	89.89
Public utility personal	<u>8,772,270</u>	<u>6.51</u>	<u>16,135,490</u>	<u>10.11</u>
Total	<u>\$ 134,835,380</u>	<u>100.00</u>	<u>\$ 159,531,240</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$51.50		\$51.50

NOTE 7 - RECEIVABLES

Receivables at June 30, 2020 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of property taxes. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 5,693,359
Accounts	765
Accrued interest	3,498
Intergovernmental	<u>275,370</u>
Total	<u>\$ 5,972,992</u>

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

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**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2020</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 540,993	\$ -		\$ 540,993
Construction in progress	<u>53,696</u>	<u>13,051</u>	-	<u>66,747</u>
Total capital assets, not being depreciated	<u>594,689</u>	<u>13,051</u>	-	<u>607,740</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	543,955	10,050	-	554,005
Building and improvements	25,008,417	4,670	-	25,013,087
Furniture and equipment	748,267	7,362	-	755,629
Vehicles	<u>887,330</u>	<u>-</u>	<u>-</u>	<u>887,330</u>
Total capital assets, being depreciated	<u>27,187,969</u>	<u>22,082</u>	-	<u>27,210,051</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(114,854)	(43,108)	-	(157,962)
Building and improvements	(2,347,981)	(833,355)	-	(3,181,336)
Furniture and equipment	(454,989)	(126,407)	-	(581,396)
Vehicles	<u>(588,721)</u>	<u>(65,106)</u>	<u>-</u>	<u>(653,827)</u>
Total accumulated depreciation	<u>(3,506,545)</u>	<u>(1,067,976)</u>	-	<u>(4,574,521)</u>
Total depreciable capital assets, net	<u>23,681,424</u>	<u>(1,045,894)</u>	-	<u>22,635,530</u>
Governmental activities capital assets, net	<u>\$ 24,276,113</u>	<u>\$ (1,032,843)</u>	<u>\$ -</u>	<u>\$ 23,243,270</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 506,304
Special	599
<u>Support services:</u>	
Pupil	41,210
Instructional staff	21,120
Administration	58,090
Operations and maintenance	87,653
Pupil transportation	65,456
Extracurricular activities	238,819
Food service operations	<u>48,725</u>
Total depreciation expense	<u>\$ 1,067,976</u>

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - CAPITAL LEASE

In a prior fiscal year, the District entered into a capital lease for the acquisition of copiers. The lease meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and shown as debt service expenditures in the general fund. These expenditures will be reflected as function expenditures on a budgetary basis.

Capital assets consisting of office equipment have been capitalized in the amount of \$81,501. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2020 was \$65,200, leaving a current book value of \$16,301.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2020:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 18,387
2022	<u>1,532</u>
Total	19,919
Less: amount representing interest	<u>(552)</u>
Present value of minimum lease payments	<u>\$ 19,367</u>

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**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS

During the fiscal year 2020, the following activity occurred in governmental activities long-term obligations.

	Balance Outstanding <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2020</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
2013A classroom facilities bonds					
Current interest bonds	\$ 20,000	\$ -	\$ (10,000)	\$ 10,000	\$ 10,000
Capital appreciation bonds	614	-	-	614	-
Accreted interest	4,310	2,225	-	6,535	-
2013B classroom facilities bonds					
Capital appreciation bonds	50,183	-	(17,900)	32,283	12,135
Accreted interest	388,760	167,522	(172,100)	384,182	144,344
2016 refunding bonds					
Current interest bonds	7,810,000	-	(80,000)	7,730,000	80,000
Capital appreciation bonds	215,000	-	-	215,000	-
Accreted interest	147,643	74,774	-	222,417	-
2017 refunding bonds					
Current interest bonds	7,855,000	-	-	7,855,000	-
Capital appreciation bonds	200,000	-	(25,000)	175,000	20,000
Accreted interest	98,152	63,285	(15,000)	146,437	20,033
Total general obligation bonds payable	<u>16,789,662</u>	<u>307,806</u>	<u>(320,000)</u>	<u>16,777,468</u>	<u>286,512</u>
<u>Other long-term obligations:</u>					
Capital lease obligation	36,366	-	(16,999)	19,367	17,841
Net pension liability	6,852,920	81,314	(82,990)	6,851,244	-
Net OPEB liability	709,958	-	(58,107)	651,851	-
Compensated absences	206,071	36,726	(16,152)	226,645	31,813
Total other long-term obligations	<u>7,805,315</u>	<u>118,040</u>	<u>(174,248)</u>	<u>7,749,107</u>	<u>49,654</u>
Total long-term obligations governmental activities	<u>\$ 24,594,977</u>	<u>\$ 425,846</u>	<u>\$ (494,248)</u>	24,526,575	<u>\$ 336,166</u>
Unamortized discount on bonds				(3,039)	
Unamortized premium on bonds				<u>2,333,773</u>	
Total on statement of net position				<u>\$ 26,857,309</u>	

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which is primarily the general fund.

Net pension liability: See Note 13 for details.

Net OPEB liability/asset: See Note 14 for details.

Capital lease obligation: See Note 9 for details.

Series 2013A classroom facilities general obligation bonds: On December 17, 2013, the District issued \$8,170,614 in general obligation bonds for the construction of a new K-12 campus.

The issue is comprised of both current interest bonds, par value \$8,170,000, and capital appreciation bonds, par value \$614. The interest rate on the current interest bonds ranges from 1.50%-5.125%. The capital appreciation bond will mature on January 15, 2029 (approximate initial offering yield to maturity 5.13%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond is \$170,000. Total accreted interest of \$6,535 has been included in the statement of net position.

Interest payments on the current interest bonds are due on January 15 and July 15 each year. The final maturity stated in the issue is January 15, 2050. The bonds are retired from the bond retirement fund.

On July 27, 2017, the District issued \$8,110,000 (series 2017 refunding bonds) to advance refund the callable portion of the bonds. The refunded portions of the series 2013A bonds included portions of the serial bonds and all of the term bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

Series 2013B classroom facilities general obligation bonds: On December 17, 2013, the District issued \$8,981,875 in general obligation bonds for the construction of a new K-12 campus.

The issue is comprised of both current interest bonds, par value \$8,895,000, and capital appreciation bonds, par value \$86,875. The interest rate on the current interest bonds ranges from 1.50%-5.00%. The capital appreciation bonds mature on January 15 of the years 2016-2025 (approximate initial offering yield to maturity range 1.15% - 4.21%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,280,000. Total accreted interest of \$384,182 has been included in the statement of net position.

Interest payments on the current interest bonds are due on January 15 and July 15 each year. The final maturity stated in the issue is January 15, 2050. The bonds are retired from the bond retirement fund.

On October 3, 2016, the District issued \$8,295,000 (series 2016 refunding bonds) to advance refund the callable portion of the bonds. The refunded portions of the series 2013B bonds included portions of the serial bonds and all of the term bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2016 classroom facilities refunding bonds - On October 3, 2016, the District issued general obligation bonds (series 2016 refunding bonds) to advance refund a portion of the series 2013B current interest general obligation bonds. The issuance proceeds of \$9,642,258 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was \$8,295,000 at June 30, 2020.

The refunding issue is comprised of both current interest bonds, par value \$8,080,000, and capital appreciation bonds, par value \$215,000. The interest rate on the current interest bonds ranges from 2.00-4.00%. The capital appreciation bonds mature on January 15 of the years 2025-2031 (approximate initial offering yield to maturity range 2.05% - 2.65%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,755,000. The bonds will be retired through the bond retirement fund. A total of \$222,417 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by \$721,228. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Interest payments on the current interest bonds are due January 15 and July 15 each year. The final maturity stated on the issue is January 15, 2050.

Series 2017 classroom facilities refunding bonds - On July 27, 2017, the District issued general obligation bonds (series 2017 refunding bonds) to advance refund a portion of the series 2013A current interest general obligation bonds. The issuance proceeds of \$9,009,256 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was \$8,110,000 at June 30, 2020.

The refunding issue is comprised of both current interest bonds, par value \$7,855,000, and capital appreciation bonds, par value \$255,000. The interest rate on the current interest bonds ranges from 3.50-4.50%. The capital appreciation bonds mature on January 15 of the years 2018-2028 (approximate initial offering yield to maturity range 1.20% - 3.00%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$925,000. The bonds will be retired through the bond retirement fund. A total of \$146,437 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2020.

The reacquisition price exceeded the net carrying amount of the old debt by \$985,971. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Interest payments on the current interest bonds are due January 15 and July 15 each year. The final maturity stated on the issue is January 15, 2050.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ended	2013A Classroom Facilities Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 10,000	\$ 250	\$ 10,250	\$ -	\$ -	\$ -
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026 - 2029	-	-	-	614	169,386	170,000
Total	<u>\$ 10,000</u>	<u>\$ 250</u>	<u>\$ 10,250</u>	<u>\$ 614</u>	<u>\$ 169,386</u>	<u>\$ 170,000</u>

Fiscal Year Ended	2013B Classroom Facilities Bonds		
	Capital Appreciation Bonds		
	Principal	Interest	Total
2021	\$ 12,135	\$ 177,865	\$ 190,000
2022	8,227	181,773	190,000
2023	5,577	184,423	190,000
2024	3,781	186,219	190,000
2025	<u>2,563</u>	<u>187,437</u>	<u>190,000</u>
Total	<u>\$ 32,283</u>	<u>\$ 917,717</u>	<u>\$ 950,000</u>

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**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ended	2016 Classroom Facilities Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 80,000	\$ 266,700	\$ 346,700	\$ -	\$ -	\$ -
2022	85,000	264,300	349,300	-	-	-
2023	85,000	261,750	346,750	-	-	-
2024	90,000	259,200	349,200	-	-	-
2025	-	256,500	256,500	15,000	75,000	90,000
2026 - 2030	-	1,282,500	1,282,500	180,000	1,225,000	1,405,000
2031 - 2035	1,190,000	1,213,500	2,403,500	20,000	260,000	280,000
2036 - 2040	1,755,000	928,850	2,683,850	-	-	-
2041 - 2045	2,040,000	646,100	2,686,100	-	-	-
2046 - 2050	2,405,000	291,750	2,696,750	-	-	-
Total	\$ 7,730,000	\$ 5,671,150	\$ 13,401,150	\$ 215,000	\$ 1,560,000	\$ 1,775,000

Fiscal Year Ended	2017 Classroom Facilities Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ -	\$ 326,225	\$ 326,225	\$ 20,000	\$ 25,000	\$ 45,000
2022	-	326,225	326,225	25,000	30,000	55,000
2023	-	326,225	326,225	15,000	35,000	50,000
2024	-	326,225	326,225	25,000	65,000	90,000
2025	-	326,225	326,225	20,000	85,000	105,000
2026 - 2030	270,000	1,630,325	1,900,325	70,000	400,000	470,000
2031 - 2035	1,395,000	1,466,025	2,861,025	-	-	-
2036 - 2040	1,640,000	1,150,150	2,790,150	-	-	-
2041 - 2045	2,045,000	745,825	2,790,825	-	-	-
2046 - 2050	2,505,000	273,325	2,778,325	-	-	-
Total	\$ 7,855,000	\$ 6,896,775	\$ 14,751,775	\$ 175,000	\$ 640,000	\$ 815,000

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Administrative and classified employees with greater than 240 day contracts earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and classified staff with less than 240 day contracts do not earn vacation time.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

Teachers, administrators and classified employees earn sick leave at the rate of two days per worked month. Sick leave may be accumulated up to a maximum of 288 days for certificated and 325 days for remaining personnel. Upon retirement, payment is made for 25 percent of accrued, but unused sick leave credit to a maximum of 72 days for certificated, 70 for classified, and 75 for administrator employees. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to contracted employees through Self-Funded Plans, Incorporated. The Board pays the cost of the monthly premium, \$7.50 per certificated employee and \$4.38 per classified employee.

The District also provides medical/surgical insurance, prescription drug, vision, and dental insurance through the Stark County Schools Council of Governments to all eligible employees. Employees have the option of choosing a traditional comprehensive plan with 80 percent co-payment of major medical expenses after deductibles or a Preferred Provider Organization (Medical Mutual or Aultcare) plan with a 90 percent co-pay of major medical expenses after deductibles. Monthly premiums for family/single are \$1,857.69/\$764.72 for medical, \$48.97/\$19.72 for vision, and \$230.56/\$93.46 for dental.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2020, the District has contracted with SORSA (Schools of Ohio Risk Sharing Authority), a risk sharing pool, for various types of insurance as follows:

Types of Coverage	Coverage Amount
Building and Business Personal Property	\$ 28,868,240
General Liability	15,000,000
Educators Legal Liability	15,000,000
Automobile Liability:	
Bodily Injury & Property Damage - per occurrence	15,000,000
Medical Payments:	
Per occurrence	10,000
Aggregate	25,000
Uninsured/Underinsured Motorist:	
Per person	100,000
Per occurrence	1,000,000
Automobile Physical Damage	Actual Cash Value

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

The District participates in a workers compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. CompManagement, Inc. (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The District has chosen to participate in the group rating program for 2020. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - District Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$142,152 for fiscal year 2020. Of this amount, \$19,757 is reported as pension and postemployment benefits payable.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$401,174 for fiscal year 2020. Of this amount, \$72,864 is reported as pension and postemployment benefits 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.02524840%	0.02459049%	
Proportion of the net pension liability current measurement date	<u>0.02552720%</u>	<u>0.02407439%</u>	
Change in proportionate share	<u>0.00027880%</u>	<u>-0.00051610%</u>	
Proportionate share of the net pension liability	\$ 1,527,337	\$ 5,323,907	\$ 6,851,244
Pension expense	\$ 261,342	\$ 721,316	\$ 982,658

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 38,732	\$ 43,348	\$ 82,080
Changes of assumptions	-	625,395	625,395
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	27,846	96,738	124,584
Contributions subsequent to the measurement date	<u>142,152</u>	<u>401,174</u>	<u>543,326</u>
Total deferred outflows of resources	<u>\$ 208,730</u>	<u>\$ 1,166,655</u>	<u>\$ 1,375,385</u>

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 23,046	\$ 23,046
Net difference between projected and actual earnings on pension plan investments	19,607	260,204	279,811
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>6,539</u>	<u>120,998</u>	<u>127,537</u>
Total deferred inflows of resources	<u>\$ 26,146</u>	<u>\$ 404,248</u>	<u>\$ 430,394</u>

\$543,326 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ 61,757	\$ 331,707	\$ 393,464
2022	(31,135)	45,940	14,805
2023	(1,306)	(29,805)	(31,111)
2024	<u>11,116</u>	<u>13,391</u>	<u>24,507</u>
Total	<u>\$ 40,432</u>	<u>\$ 361,233</u>	<u>\$ 401,665</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.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

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

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 2,140,345	\$ 1,527,337	\$ 1,013,253

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	<u>July 1, 2019</u>
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 7,780,296	\$ 5,323,907	\$ 3,244,447

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

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

Plan Description - District Employees Retirement System (SERS)

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$17,768.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$17,768 for fiscal year 2020. Of this amount, \$17,768 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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/asset prior measurement date	0.02559080%	0.02459049%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.02592070%</u>	<u>0.02407439%</u>	
Change in proportionate share	<u>0.00032990%</u>	<u>-0.00051610%</u>	
Proportionate share of the net OPEB liability	\$ 651,851	\$ -	\$ 651,851
Proportionate share of the net OPEB asset	\$ -	\$ 398,730	\$ 398,730
OPEB expense	\$ 23,102	\$ (121,850)	\$ (98,748)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 9,568	\$ 36,148	\$ 45,716
Net difference between projected and actual earnings on OPEB plan investments	1,563	-	1,563
Changes of assumptions	47,610	8,381	55,991
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	37,427	21,794	59,221
Contributions subsequent to the measurement date	<u>17,768</u>	<u>-</u>	<u>17,768</u>
Total deferred outflows of resources	<u>\$ 113,936</u>	<u>\$ 66,323</u>	<u>\$ 180,259</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 143,207	\$ 20,285	\$ 163,492
Net difference between projected and actual earnings on pension plan investments	-	25,043	25,043
Changes of assumptions	36,527	437,159	473,686
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>4,655</u>	<u>15,482</u>	<u>20,137</u>
Total deferred inflows of resources	<u>\$ 184,389</u>	<u>\$ 497,969</u>	<u>\$ 682,358</u>

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$17,768 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ (33,886)	\$ (94,953)	\$ (128,839)
2022	(11,054)	(94,953)	(106,007)
2023	(10,598)	(84,916)	(95,514)
2024	(10,671)	(81,392)	(92,063)
2025	(14,206)	(76,086)	(90,292)
Thereafter	(7,806)	654	(7,152)
Total	\$ (88,221)	\$ (431,646)	\$ (519,867)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 791,224	\$ 651,851	\$ 541,034
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 522,265	\$ 651,851	\$ 823,781

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - 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% to 1.984% 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% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	Current		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 340,236	\$ 398,730	\$ 447,909
	Current		
	1% Decrease	Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 452,141	\$ 398,730	\$ 333,314

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (307,162)
Net adjustment for revenue accruals	(66,559)
Net adjustment for expenditure accruals	(228,006)
Net adjustment for other sources/uses	50,000
Fund budgeted elsewhere **	50,254
Adjustment for encumbrances	583,073
GAAP basis	\$ 81,600

** The unclaimed monies fund, hospitality fund, public school support fund and termination benefits fund are legally budgeted in separate special revenue funds, but are considered part of the general fund on a GAAP basis.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not a party to legal proceedings.

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The final adjustment was not material and is not reflected in the accompanying financial statements.

NOTE 17 - STATUTORY RESERVES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	117,946
Current year qualifying expenditures	(72,668)
Current year offsets	<u>(136,934)</u>
Total	<u>\$ (91,656)</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u><u>\$ -</u></u>

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 17 - STATUTORY RESERVES - (Continued)

During fiscal year 2014, the District issued \$17,152,489 in classroom facilities construction bonds. These proceeds may be used to reduce capital acquisition to zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$17,152,489 at June 30, 2020.

NOTE 18 - OTHER COMMITMENTS

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

<u>Funds</u>	<u>Year-End Encumbrances</u>
General fund	\$ 226,027
Other governmental	<u>21,979</u>
Total	<u>\$ 248,006</u>

NOTE 19 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.02552720%	0.02524840%	0.02362100%	0.02420210%
District's proportionate share of the net pension liability	\$ 1,527,337	\$ 1,446,023	\$ 1,411,303	\$ 1,771,370
District's covered payroll	\$ 867,533	\$ 853,763	\$ 812,543	\$ 709,186
District's proportionate share of the net pension liability as a percentage of its covered payroll	176.06%	169.37%	173.69%	249.78%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.02486040%	0.02545000%	0.02545000%
\$ 1,418,558	\$ 1,288,010	\$ 1,513,430
\$ 615,410	\$ 876,667	\$ 808,129
230.51%	146.92%	187.28%
69.16%	71.70%	65.52%

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.02407439%	0.02459049%	0.02385662%	0.02426595%
District's proportionate share of the net pension liability	\$ 5,323,907	\$ 5,406,897	\$ 5,667,191	\$ 8,122,545
District's covered payroll	\$ 2,980,829	\$ 2,804,179	\$ 2,638,314	\$ 2,253,436
District's proportionate share of the net pension liability as a percentage of its covered payroll	178.60%	192.82%	214.80%	360.45%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.02376020%	0.02445100%	0.02445100%
\$ 6,566,626	\$ 5,947,330	\$ 7,084,420
\$ 2,437,379	\$ 2,453,669	\$ 2,879,538
269.41%	242.39%	246.03%
72.10%	74.70%	69.30%

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 142,152	\$ 117,117	\$ 115,258	\$ 113,756
Contributions in relation to the contractually required contribution	<u>(142,152)</u>	<u>(117,117)</u>	<u>(115,258)</u>	<u>(113,756)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,015,371	\$ 867,533	\$ 853,763	\$ 812,543
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 99,286	\$ 81,111	\$ 121,506	\$ 111,845	\$ 112,460	\$ 100,681
<u>(99,286)</u>	<u>(81,111)</u>	<u>(121,506)</u>	<u>(111,845)</u>	<u>(112,460)</u>	<u>(100,681)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 709,186	\$ 615,410	\$ 876,667	\$ 808,129	\$ 836,134	\$ 800,963
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 401,174	\$ 417,316	\$ 392,585	\$ 369,364
Contributions in relation to the contractually required contribution	<u>(401,174)</u>	<u>(417,316)</u>	<u>(392,585)</u>	<u>(369,364)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,865,529	\$ 2,980,829	\$ 2,804,179	\$ 2,638,314
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 315,481	\$ 341,233	\$ 318,977	\$ 374,340	\$ 393,729	\$ 397,409
<u>(315,481)</u>	<u>(341,233)</u>	<u>(318,977)</u>	<u>(374,340)</u>	<u>(393,729)</u>	<u>(397,409)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,253,436	\$ 2,437,379	\$ 2,453,669	\$ 2,879,538	\$ 3,028,685	\$ 3,056,992
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.02592070%	0.02559080%	0.02380390%	0.02449716%
District's proportionate share of the net OPEB liability	\$ 651,851	\$ 709,958	\$ 638,834	\$ 698,260
District's covered payroll	\$ 867,533	\$ 853,763	\$ 812,543	\$ 709,186
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.14%	83.16%	78.62%	98.46%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.02407439%	0.02459049%	0.02385662%	0.02426595%
District's proportionate share of the net OPEB liability/(asset)	\$ (398,730)	\$ (395,144)	\$ 930,797	\$ 1,297,749
District's covered payroll	\$ 2,980,829	\$ 2,804,179	\$ 2,638,314	\$ 2,253,436
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.38%	14.09%	35.28%	57.59%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 17,768	\$ 19,036	\$ 17,989	\$ 12,206
Contributions in relation to the contractually required contribution	<u>(17,768)</u>	<u>(19,036)</u>	<u>(17,989)</u>	<u>(12,206)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,015,371	\$ 867,533	\$ 853,763	\$ 812,543
Contributions as a percentage of covered payroll	1.75%	2.19%	2.11%	1.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 12,271	\$ 18,258	\$ 14,052	\$ 15,049	\$ 20,817	\$ 11,454
<u>(12,271)</u>	<u>(18,258)</u>	<u>(14,052)</u>	<u>(15,049)</u>	<u>(20,817)</u>	<u>(11,454)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 709,186	\$ 615,410	\$ 876,667	\$ 808,129	\$ 836,134	\$ 800,963
1.73%	2.97%	1.60%	1.86%	2.49%	1.43%

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,865,529	\$ 2,980,829	\$ 2,804,179	\$ 2,638,314
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 25,935	\$ 28,795	\$ 30,287	\$ 30,570
-	-	(25,935)	(28,795)	(30,287)	(30,570)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,253,436	\$ 2,437,379	\$ 2,453,669	\$ 2,879,538	\$ 3,028,685	\$ 3,056,992
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: Medical Pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; Medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; Prescription Drug Pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

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Conference Center, Suite 154
6000 Frank Ave. NW
North Canton, OH 44720
EastRegion@ohioauditor.gov
(800) 443-9272

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Brown Local School District
Carroll County
3242 Coral Road NW
Malvern, Ohio 44644

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Brown Local School District, Carroll County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 14, 2021 wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement 84, *Fiduciary Activities*. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 14, 2021

OHIO AUDITOR OF STATE KEITH FABER



BROWN LOCAL SCHOOL DISTRICT

CARROLL 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 6/10/2021

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