



OHIO AUDITOR OF STATE  
**KEITH FABER**





**BROWN LOCAL SCHOOL DISTRICT  
CARROLL COUNTY  
JUNE 30, 2019**

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CARROLL COUNTY  
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## 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, each major fund, 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, 2019, 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, each major fund, and the aggregate remaining fund information of the Brown Local School District, Carroll County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof 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.

**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 April 29, 2020, 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

April 29, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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, 2019. 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 2019 are as follows:

- In total, net position of governmental activities increased \$219,496 which represents a 3.15% increase from the 2018 net position.
- General revenues accounted for \$8,494,909 in revenue or 84.38% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,572,962 or 15.62% of total revenues of \$10,067,871.
- The District had \$9,848,375 in expenses related to governmental activities; only \$1,572,962 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 \$8,494,909 were 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 \$8,232,433 in revenues and \$8,443,397 in expenditures. During fiscal 2019, the general fund's fund balance decreased \$210,964 from a balance of \$5,983,129 to \$5,772,165.
- The bond retirement fund had \$999,447 in revenues and \$942,195 in expenditures. During fiscal 2019, the bond retirement fund's fund balance increased \$57,252 from a balance of \$697,645 to \$754,897.

**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, 2019  
(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 2019?" 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.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's 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. The basic governmental fund financial statements can be found on pages 17-21 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

***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. These notes to the basic financial statements can be found on pages 24-68 of this report.

***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 required supplementary information can be found on pages 70 through 85 of this report.

**The District as a Whole**

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018.

	<b>Net Position</b>	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 12,346,887	\$ 12,553,679
Capital assets, net	<u>24,276,113</u>	<u>24,043,162</u>
Total assets	<u>36,623,000</u>	<u>36,596,841</u>
<b><u>Deferred outflows of resources</u></b>		
Unamortized deferred charges on debt refunding	1,589,402	1,641,442
Pension	1,928,698	2,160,770
OPEB	<u>140,924</u>	<u>71,721</u>
Total deferred outflows of resources	<u>3,659,024</u>	<u>3,873,933</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,384,827	1,210,127
Long-term liabilities:		
Due within one year	316,001	345,328
Due in more than one year:		
Net pension liability	6,852,920	7,078,494
Net OPEB liability	709,958	1,569,631
Other amounts	<u>19,122,793</u>	<u>19,222,806</u>
Total liabilities	<u>28,386,499</u>	<u>29,426,386</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes levied for the next fiscal year	3,470,780	3,389,178
Pension	542,699	477,763
OPEB	<u>697,846</u>	<u>212,743</u>
Total deferred inflows of resources	<u>4,711,325</u>	<u>4,079,684</u>
<b><u>Net position</u></b>		
Net investment in capital assets	7,149,444	6,702,532
Restricted	646,360	1,275,633
Unrestricted (deficit)	<u>(611,604)</u>	<u>(1,013,461)</u>
Total net position	<u>\$ 7,184,200</u>	<u>\$ 6,964,704</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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, 2019  
(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, 2019, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,184,200.

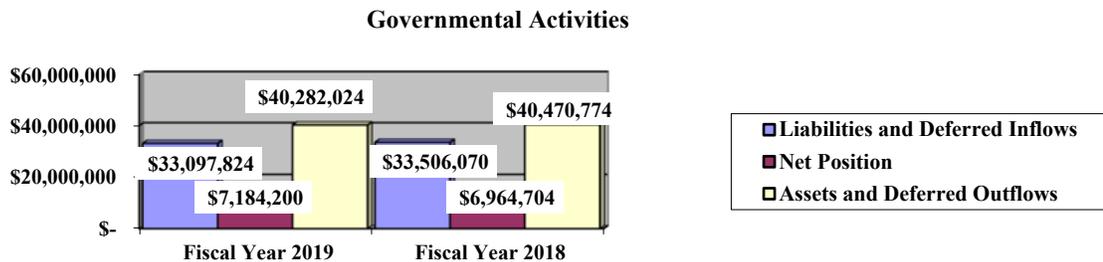
Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 13 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 14 for more detail. STRS did not report a net OPEB asset in the prior year.

At year-end, capital assets represented 66.29% 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, 2019, was \$7,149,444. 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, \$646,360, 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 \$611,604.

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.

The graph below presents the District's governmental activities assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2019 and June 30, 2018.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table below shows the change in net position for fiscal years 2019 and 2018.

	<b>Change in Net Position</b>	
	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 711,843	\$ 772,208
Operating grants and contributions	861,119	979,817
General revenues:		
Property taxes	4,687,568	4,728,612
Grants and entitlements	3,629,821	3,614,531
Investment earnings	155,841	77,492
Other	21,679	47,258
Total revenues	<u>10,067,871</u>	<u>10,219,918</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,889,406	\$ 2,668,481
Special	1,034,234	583,479
Vocational	122,171	60,254
Support services:		
Pupil	422,697	341,640
Instructional staff	381,768	264,707
Board of education	274,364	241,033
Administration	663,023	374,880
Fiscal	132,394	148,714
Operations and maintenance	679,861	569,488
Pupil transportation	509,167	305,891
Central	5,946	5,673
Food service operations	326,427	245,692
Other non-instructional services	-	355
Extracurricular activities	580,420	409,909
Interest and fiscal charges	826,497	912,254
Total expenses	<u>9,848,375</u>	<u>7,132,450</u>
Change in net position	219,496	3,087,468
Net position at beginning of year	<u>6,964,704</u>	<u>3,877,236</u>
Net position at end of year	<u>\$ 7,184,200</u>	<u>\$ 6,964,704</u>

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

**Governmental Activities**

Net position of the District’s governmental activities increased \$219,496. Total governmental expenses of \$9,848,375 were offset by program revenues of \$1,572,962 and general revenues of \$8,494,909. Program revenues supported 15.97% of the total governmental expenses.

Overall, expenses of the governmental activities increased \$2,715,925 or 38.08%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment (“COLA”) and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

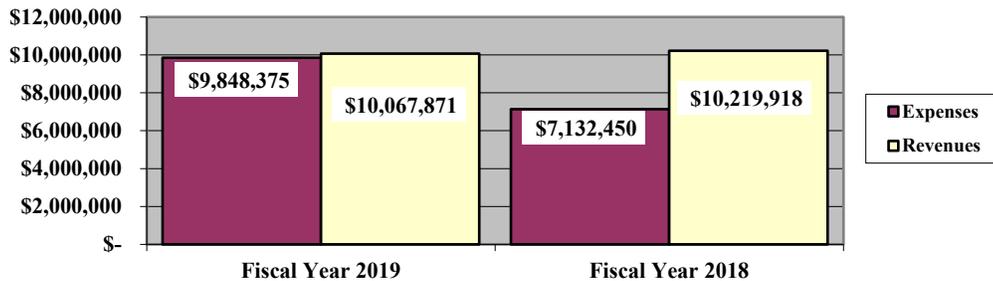
On an accrual basis, the District reported \$605,867 and (\$2,319,556) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported (\$819,881) and (\$255,161) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was \$2,360,703. 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 District’s total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 82.61% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,045,811 or 51.23% of total governmental expenses for fiscal 2019.

The graph below presents the District’s governmental activities revenue and expenses for fiscal years 2019 and 2018.

**Governmental Activities - Revenues and Expenses**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

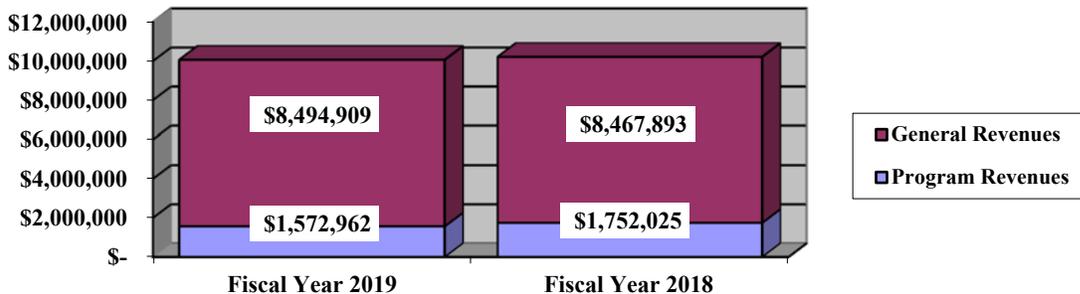
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
<b>Governmental Activities</b>				
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,889,406	3,247,353	\$ 2,668,481	1,841,074
Special	1,034,234	577,625	583,479	124,982
Vocational	122,171	115,461	60,254	52,339
Support services:				
Pupil	422,697	368,935	341,640	316,839
Instructional staff	381,768	372,195	264,707	259,243
Board of education	274,364	274,364	241,033	241,033
Administration	663,023	662,723	374,880	374,580
Fiscal	132,394	132,394	148,714	148,714
Operations and maintenance	679,861	679,861	569,488	569,488
Pupil transportation	509,167	509,167	305,891	305,891
Central	5,946	5,946	5,673	5,673
Food service operations	326,427	47,817	245,692	(36,516)
Other non-instructional services	-	-	355	(30)
Extracurricular activities	580,420	455,075	409,909	264,861
Interest and fiscal charges	826,497	826,497	912,254	912,254
<b>Total</b>	<b>\$ 9,848,375</b>	<b>\$ 8,275,413</b>	<b>\$ 7,132,450</b>	<b>\$ 5,380,425</b>

The dependence upon tax and other general revenues for governmental activities is apparent, as 78.09% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.03%.

The graph below presents the District's governmental activities revenue for fiscal year 2019 and 2018.

**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, 2019  
(UNAUDITED)

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$6,963,283, which is less than last year's total of \$7,887,905. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	<u>Fund Balance June 30, 2019</u>	<u>Fund Balance June 30, 2018</u>	<u>Increase (Decrease)</u>
General	\$ 5,772,165	\$ 5,983,129	\$ (210,964)
Bond retirement	754,897	697,645	57,252
Other governmental	<u>436,221</u>	<u>1,207,131</u>	<u>(770,910)</u>
Total	<u>\$ 6,963,283</u>	<u>\$ 7,887,905</u>	<u>\$ (924,622)</u>

**General Fund**

The District's general fund balance decreased \$210,964. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,703,771	\$ 3,722,795	\$ (19,024)	(0.51) %
Tuition	470,761	548,655	(77,894)	(14.20) %
Earnings on investments	155,116	75,293	79,823	106.02 %
Intergovernmental	3,804,446	3,785,467	18,979	0.50 %
Extracurricular	58,535	26,249	32,286	123.00 %
Other revenues	<u>39,804</u>	<u>59,402</u>	<u>(19,598)</u>	<u>(32.99) %</u>
Total	<u>\$ 8,232,433</u>	<u>\$ 8,217,861</u>	<u>\$ 14,572</u>	0.18 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,709,200	\$ 4,282,996	\$ 426,204	9.95 %
Support services	3,105,572	2,880,109	225,463	7.83 %
Extracurricular activities	516,894	317,643	199,251	62.73 %
Facilities acquisition and construction	93,344	71,704	21,640	30.18 %
Debt service	<u>18,387</u>	<u>18,386</u>	<u>1</u>	0.01 %
Total	<u>\$ 8,443,397</u>	<u>\$ 7,570,838</u>	<u>\$ 872,559</u>	11.53 %

Overall general fund revenues increased 0.18%. The increase in earnings on investments due to an increase on interest rates is the primary reason for the revenue increase. Expenditures increased 11.53% primarily due to instruction and support services.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

***Bond Retirement Fund***

The bond retirement fund had \$999,447 in revenues and \$942,195 in expenditures. During fiscal 2019, the bond retirement fund's fund balance increased \$57,252 from a balance of \$697,645 to \$754,897.

***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 2019, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$234,132 more than original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2019 were \$8,195,981. This represents a \$43,416 increase from final budgeted revenues and other financing sources.

General fund final budgeted appropriations and other financing uses were \$44,617 greater than original budgeted appropriations and other financing uses. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled \$8,801,660, which was \$640,965 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 2019, the District had \$24,276,113 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 2019 balances compared to 2018:

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

	Governmental Activities	
	2019	2018
Land	\$ 540,993	\$ 447,649
Construction in progress	53,696	20,507
Land improvements	429,101	156,410
Building and improvements	22,660,436	22,602,882
Furniture and equipment	293,278	401,647
Vehicles	298,609	414,067
Total	\$ 24,276,113	\$ 24,043,162

The overall increase in capital assets (net of accumulated depreciation) of \$232,951 is due to capital asset additions of \$1,304,371 exceeding depreciation expense of \$1,071,420.

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, 2019  
(UNAUDITED)

***Debt Administration***

At June 30, 2019, the District had \$16,826,028 in general obligation bonds and capital leases outstanding. Of this total, \$299,849 is due within one year and \$16,526,179 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>2019</u>	Governmental Activities <u>2018</u>
General obligation bonds	\$ 16,789,662	\$ 16,839,323
Capital leases	<u>36,366</u>	<u>52,563</u>
Total	<u>\$ 16,826,028</u>	<u>\$ 16,891,886</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 2019, both of these revenue streams remained stagnant. 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 but for the first time in recent history, expenditures were higher than revenues in 2019 resulting in deficit spending. The District's administration will be actively trying to evaluate expenditures moving forward to attempt to bring them back 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.

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

STATEMENT OF NET POSITION  
JUNE 30, 2019

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 6,767,328
Receivables:	
Property taxes . . . . .	5,009,070
Accounts. . . . .	1,470
Accrued interest . . . . .	3,244
Intergovernmental . . . . .	131,723
Prepaid bond insurance . . . . .	35,668
Materials and supplies inventory. . . . .	1,171
Inventory held for resale. . . . .	2,069
Net OPEB asset . . . . .	395,144
Capital assets:	
Nondepreciable capital assets . . . . .	594,689
Depreciable capital assets, net. . . . .	23,681,424
Capital assets, net . . . . .	24,276,113
Total assets. . . . .	36,623,000
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	1,589,402
Pension. . . . .	1,928,698
OPEB . . . . .	140,924
Total deferred outflows of resources . . . . .	3,659,024
 <b>Liabilities:</b>	
Accounts payable. . . . .	54,085
Contracts payable. . . . .	122,213
Accrued wages and benefits . . . . .	678,563
Intergovernmental payable . . . . .	133,082
Pension and postemployment benefits payable. . . . .	124,164
Accrued interest payable . . . . .	272,720
Long-term liabilities:	
Due within one year. . . . .	316,001
Due in more than one year:	
Net pension liability . . . . .	6,852,920
Net OPEB liability . . . . .	709,958
Other amounts due in more than one year . . . . .	19,122,793
Total liabilities . . . . .	28,386,499
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	3,470,780
Pension . . . . .	542,699
OPEB. . . . .	697,846
Total deferred inflows of resources . . . . .	4,711,325
 <b>Net position:</b>	
Net investment in capital assets . . . . .	7,149,444
Restricted for:	
Capital projects . . . . .	364,430
Classroom facilities maintenance . . . . .	252,049
Locally funded programs . . . . .	6,345
State funded programs. . . . .	1,561
Federally funded programs . . . . .	1,310
Student activities . . . . .	20,665
Unrestricted (deficit) . . . . .	(611,604)
Total net position. . . . .	\$ 7,184,200

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, 2019

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				<b>Governmental Activities</b>
Instruction:				
Regular . . . . .	\$ 3,889,406	\$ 422,294	\$ 219,759	\$ (3,247,353)
Special . . . . .	1,034,234	49,341	407,268	(577,625)
Vocational . . . . .	122,171	-	6,710	(115,461)
Support services:				
Pupil . . . . .	422,697	49,917	3,845	(368,935)
Instructional staff . . . . .	381,768	-	9,573	(372,195)
Board of education . . . . .	274,364	-	-	(274,364)
Administration . . . . .	663,023	-	300	(662,723)
Fiscal . . . . .	132,394	-	-	(132,394)
Operations and maintenance . . . . .	679,861	-	-	(679,861)
Pupil transportation . . . . .	509,167	-	-	(509,167)
Central . . . . .	5,946	-	-	(5,946)
Operation of non-instructional services:				
Food service operations . . . . .	326,427	65,446	213,164	(47,817)
Extracurricular activities . . . . .	580,420	124,845	500	(455,075)
Interest and fiscal charges . . . . .	826,497	-	-	(826,497)
<b>Total . . . . .</b>	<b>\$ 9,848,375</b>	<b>\$ 711,843</b>	<b>\$ 861,119</b>	<b>(8,275,413)</b>
		<b>General revenues:</b>		
		Property taxes levied for:		
		General purposes . . . . .	3,697,357	
		Debt service . . . . .	874,091	
		Capital outlay . . . . .	61,131	
		Classroom facilities maintenance . . . . .	54,989	
		Grants and entitlements not restricted to specific programs . . . . .	3,629,821	
		Investment earnings . . . . .	155,841	
		Miscellaneous . . . . .	21,679	
		<b>Total general revenues . . . . .</b>	<b>8,494,909</b>	
		Change in net position . . . . .	219,496	
		<b>Net position at beginning of year . . . . .</b>	<b>6,964,704</b>	
		<b>Net position at end of year . . . . .</b>	<b>\$ 7,184,200</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 5,587,084	\$ 513,060	\$ 667,184	\$ 6,767,328
Receivables:				
Property taxes . . . . .	3,963,720	920,725	124,625	5,009,070
Accounts . . . . .	1,470	-	-	1,470
Accrued interest . . . . .	3,244	-	-	3,244
Interfund loans . . . . .	30,000	-	-	30,000
Intergovernmental . . . . .	1,591	-	130,132	131,723
Materials and supplies inventory . . . . .	-	-	1,171	1,171
Inventory held for resale . . . . .	-	-	2,069	2,069
Due from other funds . . . . .	72,304	-	-	72,304
Total assets . . . . .	<u>\$ 9,659,413</u>	<u>\$ 1,433,785</u>	<u>\$ 925,181</u>	<u>\$ 12,018,379</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 52,855	\$ -	\$ 1,230	\$ 54,085
Contracts payable . . . . .	52,148	-	70,065	122,213
Accrued wages and benefits . . . . .	598,142	-	80,421	678,563
Intergovernmental payable . . . . .	132,367	-	715	133,082
Pension and postemployment benefits payable . . . . .	112,252	-	11,912	124,164
Interfund loans payable . . . . .	-	-	30,000	30,000
Due to other funds . . . . .	-	-	72,304	72,304
Total liabilities . . . . .	<u>947,764</u>	<u>-</u>	<u>266,647</u>	<u>1,214,411</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	2,750,161	635,163	85,456	3,470,780
Delinquent property tax revenue not available . . . . .	186,079	43,725	6,725	236,529
Intergovernmental revenue not available . . . . .	-	-	130,132	130,132
Accrued interest not available . . . . .	3,244	-	-	3,244
Total deferred inflows of resources . . . . .	<u>2,939,484</u>	<u>678,888</u>	<u>222,313</u>	<u>3,840,685</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	-	-	1,171	1,171
Unclaimed monies . . . . .	1,442	-	-	1,442
Restricted:				
Debt service . . . . .	-	754,897	-	754,897
Capital improvements . . . . .	-	-	290,437	290,437
Classroom facilities maintenance . . . . .	-	-	249,252	249,252
Food service operations . . . . .	-	-	2,950	2,950
Extracurricular activities . . . . .	-	-	20,665	20,665
Other purposes . . . . .	-	-	7,906	7,906
Committed:				
Termination benefits . . . . .	159,096	-	-	159,096
Assigned:				
Student instruction . . . . .	90,851	-	-	90,851
Student and staff support . . . . .	267,520	-	-	267,520
Extracurricular activities . . . . .	28,591	-	-	28,591
Subsequent year's appropriations . . . . .	705,000	-	-	705,000
Unassigned (deficit) . . . . .	<u>4,519,665</u>	<u>-</u>	<u>(136,160)</u>	<u>4,383,505</u>
Total fund balances . . . . .	<u>5,772,165</u>	<u>754,897</u>	<u>436,221</u>	<u>6,963,283</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 9,659,413</u>	<u>\$ 1,433,785</u>	<u>\$ 925,181</u>	<u>\$ 12,018,379</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, 2019

<b>Total governmental fund balances</b>		\$	6,963,283
<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.			24,276,113
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	236,529	
Accrued interest receivable		3,244	
Intergovernmental receivable		130,132	
Total			369,905
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.			35,668
Unamortized premiums and discounts on bonds issued are not recognized in the funds.			(2,406,695)
Unamortized amounts on refundings are not recognized in the funds.			1,589,402
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(272,720)
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		1,928,698	
Deferred inflows - pension		(542,699)	
Net pension liability		(6,852,920)	
Total			(5,466,921)
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		140,924	
Deferred inflows - OPEB		(697,846)	
Net OPEB asset		395,144	
Net OPEB liability		(709,958)	
Total			(871,736)
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		(16,789,662)	
Capital lease obligations		(36,366)	
Compensated absences		(206,071)	
Total			(17,032,099)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>7,184,200</b>

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, 2019

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,703,771	\$ 876,687	\$ 116,066	\$ 4,696,524
Tuition . . . . .	470,761	-	-	470,761
Transportation fees . . . . .	13,406	-	-	13,406
Earnings on investments . . . . .	155,116	-	252	155,368
Charges for services . . . . .	-	-	65,446	65,446
Extracurricular . . . . .	58,535	-	102,821	161,356
Classroom materials and fees . . . . .	256	-	-	256
Other local revenues . . . . .	26,142	-	4,727	30,869
Intergovernmental - state . . . . .	3,733,313	122,760	23,791	3,879,864
Intergovernmental - federal . . . . .	71,133	-	457,193	528,326
Total revenues . . . . .	<u>8,232,433</u>	<u>999,447</u>	<u>770,296</u>	<u>10,002,176</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,599,065	-	161,500	3,760,565
Special . . . . .	965,522	-	145,303	1,110,825
Vocational . . . . .	144,613	-	-	144,613
Support services:				
Pupil . . . . .	392,151	-	-	392,151
Instructional staff . . . . .	360,370	-	10,920	371,290
Board of education . . . . .	249,574	23,119	3,031	275,724
Administration . . . . .	677,071	-	300	677,371
Fiscal . . . . .	140,955	-	-	140,955
Operations and maintenance . . . . .	852,628	-	30,271	882,899
Pupil transportation . . . . .	426,877	-	-	426,877
Central . . . . .	5,946	-	-	5,946
Operation of non-instructional services:				
Food service operations . . . . .	-	-	299,746	299,746
Extracurricular activities . . . . .	516,894	-	277,901	794,795
Facilities acquisition and construction . . . . .	93,344	-	612,234	705,578
Debt service:				
Principal retirement . . . . .	16,197	275,558	-	291,755
Interest and fiscal charges . . . . .	2,190	599,076	-	601,266
Accreted interest on capital appreciation bonds . . . . .	-	44,442	-	44,442
Total expenditures . . . . .	<u>8,443,397</u>	<u>942,195</u>	<u>1,541,206</u>	<u>10,926,798</u>
Net change in fund balances . . . . .	(210,964)	57,252	(770,910)	(924,622)
<b>Fund balances at beginning of year . . . . .</b>	<u>5,983,129</u>	<u>697,645</u>	<u>1,207,131</u>	<u>7,887,905</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 5,772,165</u>	<u>\$ 754,897</u>	<u>\$ 436,221</u>	<u>\$ 6,963,283</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, 2019

<b>Net change in fund balances - total governmental funds</b>	\$	(924,622)
<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	\$ 1,304,371	
Current year depreciation	(1,071,420)	
Total		232,951
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(8,956)	
Earnings on investments	725	
Intergovernmental	73,926	
Total		65,695
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	275,558	
Capital leases	16,197	
Accreted interest on capital appreciation bonds	44,442	
Total		336,197
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	1,857	
Accreted interest on capital appreciation bonds	(270,339)	
Amortization of prepaid bond insurance	(1,168)	
Amortization of bond premiums and discounts	96,459	
Amortization of deferred charges	(52,040)	
Total		(225,231)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		534,433
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(605,867)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		19,036
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.		
		819,881
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.		
		(32,977)
<b>Change in net position of governmental activities</b>	\$	219,496

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, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,647,725	\$ 3,682,259	\$ 3,682,259	\$ -
Tuition. . . . .	546,628	484,379	480,753	(3,626)
Transportation fees. . . . .	10,000	12,700	13,406	706
Earnings on investments . . . . .	25,000	132,100	146,206	14,106
Classroom materials and fees . . . . .	275	150	145	(5)
Rental income . . . . .	-	618	618	-
Contributions and donations . . . . .	-	1,260	1,260	-
Other local revenues . . . . .	10,000	6,800	8,328	1,528
Intergovernmental - state . . . . .	3,628,805	3,728,521	3,736,366	7,845
Intergovernmental - federal . . . . .	25,000	48,271	71,133	22,862
Total revenues . . . . .	<u>7,893,433</u>	<u>8,097,058</u>	<u>8,140,474</u>	<u>43,416</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,859,732	3,811,966	3,571,149	240,817
Special. . . . .	973,974	1,111,690	1,014,646	97,044
Vocational. . . . .	158,014	149,445	144,928	4,517
Support services:				
Pupil . . . . .	434,876	477,442	434,429	43,013
Instructional staff . . . . .	437,734	426,768	394,680	32,088
Board of education . . . . .	303,645	277,328	255,412	21,916
Administration. . . . .	760,182	748,907	724,545	24,362
Fiscal . . . . .	192,550	171,259	160,930	10,329
Operations and maintenance. . . . .	1,160,773	947,886	946,242	1,644
Pupil transportation . . . . .	580,426	483,288	436,043	47,245
Central. . . . .	7,788	6,569	6,269	300
Extracurricular activities. . . . .	399,022	616,733	549,043	67,690
Facilities acquisition and construction . . . . .	54,292	93,344	93,344	-
Total expenditures . . . . .	<u>9,323,008</u>	<u>9,322,625</u>	<u>8,731,660</u>	<u>590,965</u>
Excess of expenditures over revenues. . . . .	<u>(1,429,575)</u>	<u>(1,225,567)</u>	<u>(591,186)</u>	<u>634,381</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	(50,000)	(50,000)	-	50,000
Advances in. . . . .	25,000	45,000	45,000	-
Advances (out) . . . . .	(25,000)	(70,000)	(70,000)	-
Sale of capital assets . . . . .	-	10,507	10,507	-
Total other financing sources (uses) . . . . .	<u>(50,000)</u>	<u>(64,493)</u>	<u>(14,493)</u>	<u>50,000</u>
Net change in fund balance . . . . .	(1,479,575)	(1,290,060)	(605,679)	684,381
<b>Fund balance at beginning of year . . . . .</b>	5,150,576	5,150,576	5,150,576	-
<b>Prior year encumbrances appropriated . . . . .</b>	436,008	436,008	436,008	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,107,009</u>	<u>\$ 4,296,524</u>	<u>\$ 4,980,905</u>	<u>\$ 684,381</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, 2019

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 565	\$ 61,684
Receivables:		
Accounts . . . . .	5,000	78
Total assets. . . . .	5,565	\$ 61,762
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,335
Due to students. . . . .	-	60,427
Total liabilities . . . . .	-	\$ 61,762
<b>Net position:</b>		
Held in trust for scholarships . . . . .	5,565	
Total net position. . . . .	\$ 5,565	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions . . . . .	\$ 5,000
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,000
Change in net position . . . . .	4,000
<b>Net position at beginning of year. . . . .</b>	<b>1,565</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 5,565</b>

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, 2019

**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 31 classified employees and 59 certified employees who provide services to 667 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, 2019

**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 \$106,827 to SPARCC during fiscal year 2019 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, 2019

**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 agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities and tournaments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**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, 2019

**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, 2019, but which were levied to finance fiscal year 2020 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, 2019

**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, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. 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 2019, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit, mutual funds, U.S. Treasury bills, 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, 2019

**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 2019, 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 2019 amounted to \$155,116, which includes \$32,959 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, 2019

**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, 2019 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, 2019

**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, 2019

**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, 2019

**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 2019.

**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, 2019

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 58,018
Title I	54,623
Improving Teacher Quality	11,808
Miscellaneous Federal Grants	11,711

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**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, 2019, the carrying amount of all District deposits was (\$128,901). 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, 2019, the District’s entire bank balance of \$99,900 was covered by the FDIC.

**C. Investments**

As of June 30, 2019, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>value</u>	<u>Investment maturities</u>		
		<u>6 months or less</u>	<u>13 to 18 months</u>	<u>Greater than 24 months</u>
<i>Fair value:</i>				
Negotiable CDs	\$ 764,210	\$ -	\$ 436,423	\$ 327,787
U.S. Treasury Notes	114,820	114,820	-	-
U.S. Treasury Bills	113,836	113,836	-	-
Commercial Paper	99,174	99,174	-	-
<i>Cost:</i>				
Repurchase Agreement	5,650,404	5,650,404	-	-
U.S. Government				
Money Market	3,878	3,878	-	-
<i>Net asset value per share:</i>				
STAR Ohio	211,556	211,556	-	-
	<u>\$ 6,957,878</u>	<u>\$ 6,193,668</u>	<u>\$ 436,423</u>	<u>\$ 327,787</u>

The weighted average maturity of investments is 0.28 years.

The District’s investments in U.S. Treasury bills, 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).

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

*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 and U.S. Treasury bills were rated A-1+ by Standard & Poor's and P-1 by Moody's Investor Services. 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, commercial paper and U.S. Treasury bills 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	\$ 764,210	10.98
U.S Treasury Note	114,820	1.65
U.S Treasury Bills	113,836	1.64
Commercial Paper	99,174	1.43
<i>Cost:</i>		
Repurchase Agreement	5,650,404	81.20
U.S. Government Money Market	3,878	0.06
<i>Net asset value per share:</i>		
STAR Ohio	<u>211,556</u>	<u>3.04</u>
	<u>\$ 6,957,878</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, 2019

**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, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (128,901)
Cash on hand	600
Investments	<u>6,957,878</u>
Total	<u>\$ 6,829,577</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,767,328
Private-purpose trust fund	565
Agency funds	<u>61,684</u>
Total	<u>\$ 6,829,577</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2019 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>\$ 30,000</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, 2019, as reported on the fund statements:

<u>Due to the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 72,304</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, 2019

**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 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, 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 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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, 2019, are available to finance fiscal year 2019 operations. 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). This amount is recorded as revenue. The amount available as an advance at June 30, 2018 was \$1,005,968 in the general fund, \$238,813 in the bond retirement fund, \$16,645 in the permanent improvement fund (a nonmajor governmental fund) and \$15,013 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, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 126,158,300	94.43	\$ 126,063,110	93.49
Public utility personal	<u>7,444,760</u>	<u>5.57</u>	<u>8,772,270</u>	<u>6.51</u>
Total	<u>\$ 133,603,060</u>	<u>100.00</u>	<u>\$ 134,835,380</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$51.50		\$51.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2019 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	\$ 5,009,070
Accounts	1,470
Accrued interest	3,244
Intergovernmental	<u>131,723</u>
Total	<u>\$ 5,145,507</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, 2019

**NOTE 8 - CAPITAL ASSETS**

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

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
<i>Capital assets, not being depreciated:</i>				
Land	\$ 447,649	\$ 93,344		\$ 540,993
Construction in progress	20,507	900,158	(866,969)	53,696
Total capital assets, not being depreciated	<u>468,156</u>	<u>993,502</u>	<u>(866,969)</u>	<u>594,689</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	254,982	288,973	-	543,955
Building and improvements	24,141,448	866,969	-	25,008,417
Furniture and equipment	726,371	21,896	-	748,267
Vehicles	887,330	-	-	887,330
Total capital assets, being depreciated	<u>26,010,131</u>	<u>1,177,838</u>	<u>-</u>	<u>27,187,969</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(98,572)	(16,282)	-	(114,854)
Building and improvements	(1,538,566)	(809,415)	-	(2,347,981)
Furniture and equipment	(324,724)	(130,265)	-	(454,989)
Vehicles	(473,263)	(115,458)	-	(588,721)
Total accumulated depreciation	<u>(2,435,125)</u>	<u>(1,071,420)</u>	<u>-</u>	<u>(3,506,545)</u>
Total depreciable capital assets, net	<u>23,575,006</u>	<u>106,418</u>	<u>-</u>	<u>23,681,424</u>
Governmental activities capital assets, net	<u>\$ 24,043,162</u>	<u>\$ 1,099,920</u>	<u>\$ (866,969)</u>	<u>\$ 24,276,113</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 507,813
Special	599
<u>Support services:</u>	
Pupil	41,210
Instructional staff	23,090
Administration	57,601
Operations and maintenance	89,507
Pupil transportation	115,808
Extracurricular activities	186,997
Food service operations	<u>48,795</u>
Total depreciation expense	<u>\$ 1,071,420</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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, 2019 was \$48,900, leaving a current book value of \$32,601.

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, 2019:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 18,387
2021	18,387
2022	<u>1,532</u>
Total	38,306
Less: amount representing interest	<u>(1,940)</u>
Present value of minimum lease payments	<u>\$ 36,366</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, 2019

**NOTE 10 - LONG-TERM OBLIGATIONS**

During the fiscal year 2019, the following activity occurred in governmental activities long-term obligations.

	Balance Outstanding <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2019</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
2013A classroom facilities bonds					
Current interest bonds	\$ 30,000	\$ -	\$ (10,000)	\$ 20,000	\$ 10,000
Capital appreciation bonds	614	-	-	614	-
Accreted interest	2,778	1,532	-	4,310	-
2013B classroom facilities bonds					
Current interest bonds	150,000	-	(150,000)	-	-
Capital appreciation bonds	55,741	-	(5,558)	50,183	17,900
Accreted interest	274,923	148,279	(34,442)	388,760	138,585
2016 refunding bonds					
Current interest bonds	7,890,000	-	(80,000)	7,810,000	80,000
Capital appreciation bonds	215,000	-	-	215,000	-
Accreted interest	85,674	61,969	-	147,643	-
2017 refunding bonds					
Current interest bonds	7,855,000	-	-	7,855,000	-
Capital appreciation bonds	230,000	-	(30,000)	200,000	25,000
Accreted interest	49,593	58,559	(10,000)	98,152	11,365
Total general obligation bonds payable	<u>16,839,323</u>	<u>270,339</u>	<u>(320,000)</u>	<u>16,789,662</u>	<u>282,850</u>
<u>Other long-term obligations:</u>					
Capital lease obligation	52,563	-	(16,197)	36,366	16,999
Net pension liability	7,078,494	34,720	(260,294)	6,852,920	-
Net OPEB liability	1,569,631	71,124	(930,797)	709,958	-
Compensated absences	173,094	42,108	(9,131)	206,071	16,152
Total other long-term obligations	<u>8,873,782</u>	<u>147,952</u>	<u>(1,216,419)</u>	<u>7,805,315</u>	<u>33,151</u>
Total long-term obligations governmental activities	<u>\$ 25,713,105</u>	<u>\$ 418,291</u>	<u>\$ (1,536,419)</u>	24,594,977	<u>\$ 316,001</u>
Unamortized discount on bonds				(6,077)	
Unamortized premium on bonds				<u>2,412,772</u>	
Total on statement of net position				<u>\$ 27,001,672</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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 \$4,310 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 \$388,760 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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, 2019.

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 \$147,643 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2019.

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, 2019.

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 \$98,152 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2019.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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
2020	\$ 10,000	\$ 500	\$ 10,500	\$ -	\$ -	\$ -
2021	10,000	250	10,250	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025-2029	-	-	-	614	169,386	170,000
Total	<u>\$ 20,000</u>	<u>\$ 750</u>	<u>\$ 20,750</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
2020	\$ 17,900	\$ 172,100	\$ 190,000
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	2,563	187,437	190,000
Total	<u>\$ 50,183</u>	<u>\$ 1,089,817</u>	<u>\$ 1,140,000</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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
2020	\$ 80,000	\$ 268,300	\$ 348,300	\$ -	\$ -	\$ -
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 - 2029	-	1,282,500	1,282,500	170,000	1,045,000	1,215,000
2030 - 2034	875,000	1,248,500	2,123,500	45,000	515,000	560,000
2035 - 2039	1,700,000	986,300	2,686,300	-	-	-
2040 - 2044	1,975,000	705,350	2,680,350	-	-	-
2045 - 2049	2,320,000	375,750	2,695,750	-	-	-
2050	520,000	20,800	540,800	-	-	-
Total	<u>\$ 7,810,000</u>	<u>\$ 5,939,450</u>	<u>\$ 13,749,450</u>	<u>\$ 215,000</u>	<u>\$ 1,560,000</u>	<u>\$ 1,775,000</u>

Fiscal Year Ended	2017 Classroom Facilities Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ -	\$ 326,225	\$ 326,225	\$ 25,000	\$ 15,000	\$ 40,000
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 - 2029	20,000	1,631,125	1,651,125	90,000	485,000	575,000
2030 - 2034	1,355,000	1,520,925	2,875,925	-	-	-
2035 - 2039	1,570,000	1,220,075	2,790,075	-	-	-
2040 - 2044	1,960,000	834,025	2,794,025	-	-	-
2045 - 2049	2,415,000	367,000	2,782,000	-	-	-
2050	535,000	18,725	553,725	-	-	-
Total	<u>\$ 7,855,000</u>	<u>\$ 7,223,000</u>	<u>\$ 15,078,000</u>	<u>\$ 200,000</u>	<u>\$ 655,000</u>	<u>\$ 855,000</u>

**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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 \$1,826.17/\$751.74 for medical, \$50.02/\$20.15 for vision, and \$235.49/\$95.46 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 2019, 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
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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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 2019. 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 reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$117,117 for fiscal year 2019. Of this amount, \$10,311 is reported as pension and postemployment benefits payable.

**BROWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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](http://www.strsoh.org).

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

The DC Plan allows members to place all their member contributions and 9.53% 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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 2019, 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 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$417,316 for fiscal year 2019. Of this amount, \$87,040 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, 2018, 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	0.02362100%	0.02385662%	
Proportion of the net pension liability current measurement date	<u>0.02524840%</u>	<u>0.02459049%</u>	
Change in proportionate share	<u>0.00162740%</u>	<u>0.00073387%</u>	
Proportionate share of the net pension liability	\$ 1,446,023	\$ 5,406,897	\$ 6,852,920
Pension expense	\$ 115,217	\$ 490,650	\$ 605,867

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 79,308	\$ 124,808	\$ 204,116
Changes of assumptions	32,655	958,205	990,860
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	56,775	142,514	199,289
Contributions subsequent to the measurement date	<u>117,117</u>	<u>417,316</u>	<u>534,433</u>
Total deferred outflows of resources	<u>\$ 285,855</u>	<u>\$ 1,642,843</u>	<u>\$ 1,928,698</u>

**BROWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	SERS	STRS	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 35,310	\$ 35,310
Net difference between projected and actual earnings on pension plan investments	40,064	327,866	367,930
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	25,331	114,128	139,459
Total deferred inflows of resources	\$ 65,395	\$ 477,304	\$ 542,699

\$534,433 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, 2020.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ 124,414	\$ 434,984	\$ 559,398
2021	38,673	324,679	363,352
2022	(47,454)	33,222	(14,232)
2023	(12,290)	(44,662)	(56,952)
Total	\$ 103,343	\$ 748,223	\$ 851,566

**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 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.

**BROWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 2,036,832	\$ 1,446,023	\$ 950,669

**Actuarial Assumptions - STRS**

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

	July 1, 2018
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)	0.0%, effective July 1, 2017

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

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**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>	

\*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.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. 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, 2018.

**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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 7,896,061	\$ 5,406,897	\$ 3,300,157

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**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

The net OPEB liability/asset reported on the statement of net position 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 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 - School Employees Retirement System (SERS)***

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

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**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 fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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 2019, the District's surcharge obligation was \$14,698.

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 \$19,036 for fiscal year 2019. Of this amount, \$15,080 is reported as pension and postemployment benefits payable.

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

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

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

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

***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, 2018, 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 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. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.02380390%	0.02385662%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.02559080%</u>	<u>0.02459049%</u>	
Change in proportionate share	<u>0.00178690%</u>	<u>0.00073387%</u>	
Proportionate share of the net OPEB liability	\$ 709,958	\$ -	\$ 709,958
Proportionate share of the net OPEB asset	\$ -	\$ 395,144	\$ 395,144
OPEB expense	\$ 35,946	\$ (855,827)	\$ (819,881)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 11,589	\$ 46,153	\$ 57,742
Difference between employer contributions and proportionate share of contributions/change in proportionate share	37,994	26,152	64,146
Contributions subsequent to the measurement date	<u>19,036</u>	<u>-</u>	<u>19,036</u>
Total deferred outflows of resources	<u>\$ 68,619</u>	<u>\$ 72,305</u>	<u>\$ 140,924</u>

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 23,022	\$ 23,022
Net difference between projected and actual earnings on pension plan investments	1,066	45,142	46,208
Changes of assumptions	63,785	538,415	602,200
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>10,780</u>	<u>15,636</u>	<u>26,416</u>
Total deferred inflows of resources	<u>\$ 75,631</u>	<u>\$ 622,215</u>	<u>\$ 697,846</u>

\$19,036 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ (25,060)	\$ (99,105)	\$ (124,165)
2021	(17,924)	(99,105)	(117,029)
2022	4,678	(99,105)	(94,427)
2023	5,128	(88,853)	(83,725)
2024	5,057	(85,261)	(80,204)
Thereafter	<u>2,073</u>	<u>(78,481)</u>	<u>(76,408)</u>
Total	<u>\$ (26,048)</u>	<u>\$ (549,910)</u>	<u>\$ (575,958)</u>

***Actuarial Assumptions - SERS***

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - DEFINED BENEFIT OPEB 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 OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

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	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
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.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US 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, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. 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 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 861,478	\$ 709,958	\$ 589,982

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

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 572,806	\$ 709,958	\$ 891,572

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
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%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-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, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

**Assumption Changes Since the Prior Measurement Date** - 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). Valuation year per capita health care costs were updated.

**Benefit Term Changes Since the Prior Measurement Date** - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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>	

\*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.

\*\* The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

**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, 2018, 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.

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net OPEB asset	\$ 338,675	\$ 395,144	\$ 442,603
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ 439,924	\$ 395,144	\$ 349,666

**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).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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	\$ (605,679)
Net adjustment for revenue accruals	29,354
Net adjustment for expenditure accruals	(142,643)
Net adjustment for other sources/uses	14,493
Fund budgeted elsewhere **	12,363
Adjustment for encumbrances	481,148
GAAP basis	\$ (210,964)

\*\* The unclaimed monies 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.

**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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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, 2018	\$ -
Current year set-aside requirement	121,048
Current year qualifying expenditures	(314,752)
Current year offsets	<u>(130,123)</u>
Total	<u>\$ (323,827)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>

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, 2019.

**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>Year-End Encumbrances</u>
<u>Funds</u>	
General fund	\$ 362,824
Other governmental	<u>34,578</u>
Total	<u>\$ 397,402</u>

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 PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.02524840%	0.02362100%	0.02420210%	0.02486040%
District's proportionate share of the net pension liability	\$ 1,446,023	\$ 1,411,303	\$ 1,771,370	\$ 1,418,558
District's covered payroll	\$ 853,763	\$ 812,543	\$ 709,186	\$ 615,410
District's proportionate share of the net pension liability as a percentage of its covered payroll	169.37%	173.69%	249.78%	230.51%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

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>2015</u>	<u>2014</u>
0.02545000%	0.02545000%
\$ 1,288,010	\$ 1,513,430
\$ 876,667	\$ 808,129
146.92%	187.28%
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 SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.02459049%	0.02385662%	0.02426595%	0.02376020%
District's proportionate share of the net pension liability	\$ 5,406,897	\$ 5,667,191	\$ 8,122,545	\$ 6,566,626
District's covered payroll	\$ 2,804,179	\$ 2,638,314	\$ 2,253,436	\$ 2,437,379
District's proportionate share of the net pension liability as a percentage of its covered payroll	192.82%	214.80%	360.45%	269.41%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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>2015</u>	<u>2014</u>
0.02445100%	0.02445100%
\$ 5,947,330	\$ 7,084,420
\$ 2,453,669	\$ 2,879,538
242.39%	246.03%
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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 117,117	\$ 115,258	\$ 113,756	\$ 99,286
Contributions in relation to the contractually required contribution	<u>(117,117)</u>	<u>(115,258)</u>	<u>(113,756)</u>	<u>(99,286)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 867,533	\$ 853,763	\$ 812,543	\$ 709,186
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 81,111	\$ 121,506	\$ 111,845	\$ 112,460	\$ 100,681	\$ 99,710
<u>(81,111)</u>	<u>(121,506)</u>	<u>(111,845)</u>	<u>(112,460)</u>	<u>(100,681)</u>	<u>(99,710)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 615,410	\$ 876,667	\$ 808,129	\$ 836,134	\$ 800,963	\$ 736,411
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 417,316	\$ 392,585	\$ 369,364	\$ 315,481
Contributions in relation to the contractually required contribution	<u>(417,316)</u>	<u>(392,585)</u>	<u>(369,364)</u>	<u>(315,481)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,980,829	\$ 2,804,179	\$ 2,638,314	\$ 2,253,436
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 341,233	\$ 318,977	\$ 374,340	\$ 393,729	\$ 397,409	\$ 386,226
<u>(341,233)</u>	<u>(318,977)</u>	<u>(374,340)</u>	<u>(393,729)</u>	<u>(397,409)</u>	<u>(386,226)</u>
<u>\$ -</u>					
\$ 2,437,379	\$ 2,453,669	\$ 2,879,538	\$ 3,028,685	\$ 3,056,992	\$ 2,970,969
14.00%	13.00%	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 THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.02559080%	0.02380390%	0.02449716%
District's proportionate share of the net OPEB liability	\$ 709,958	\$ 638,834	\$ 698,260
District's covered payroll	\$ 853,763	\$ 812,543	\$ 709,186
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	83.16%	78.62%	98.46%
Plan fiduciary net position as a percentage of the total OPEB liability	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 THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.02459049%	0.02385662%	0.02426595%
District's proportionate share of the net OPEB liability/(asset)	\$ (395,144)	\$ 930,797	\$ 1,297,749
District's covered payroll	\$ 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	14.09%	35.28%	57.59%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 19,036	\$ 17,989	\$ 12,206	\$ 12,271
Contributions in relation to the contractually required contribution	<u>(19,036)</u>	<u>(17,989)</u>	<u>(12,206)</u>	<u>(12,271)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 867,533	\$ 853,763	\$ 812,543	\$ 709,186
Contributions as a percentage of covered payroll	2.19%	2.11%	1.50%	1.73%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 18,258	\$ 14,052	\$ 15,049	\$ 20,817	\$ 11,454	\$ 18,211
<u>(18,258)</u>	<u>(14,052)</u>	<u>(15,049)</u>	<u>(20,817)</u>	<u>(11,454)</u>	<u>(18,211)</u>
<u>\$ -</u>					
\$ 615,410	\$ 876,667	\$ 808,129	\$ 836,134	\$ 800,963	\$ 736,411
2.97%	1.60%	1.86%	2.49%	1.43%	2.47%

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</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	\$ 2,980,829	\$ 2,804,179	\$ 2,638,314	\$ 2,253,436
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 25,935	\$ 28,795	\$ 30,287	\$ 30,570	\$ 29,710
-	(25,935)	(28,795)	(30,287)	(30,570)	(29,710)
<u>\$ -</u>					
\$ 2,437,379	\$ 2,453,669	\$ 2,879,538	\$ 3,028,685	\$ 3,056,992	\$ 2,970,969
0.00%	1.00%	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, 2019

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the 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 year 2019.

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 2018-2019.

*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 year 2019.

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 2019.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

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 rate 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 (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

*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.

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 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 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.

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EastRegion@ohioauditor.gov

**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, each major fund, 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 29, 2020.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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

April 29, 2020

# OHIO AUDITOR OF STATE KEITH FABER



**BROWN LOCAL SCHOOL DISTRICT**

**CARROLL COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 28, 2020**