



OHIO AUDITOR OF STATE  
**KEITH FABER**





**WESTERN BROWN LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

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**WESTERN BROWN LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Western Brown Local School District  
Brown County  
524 West Main Street  
Mt Orab, Ohio 45154

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 Western Brown Local School District, Brown 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 Western Brown Local School District, Brown County, Ohio, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2019, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84 Fiduciary Activities. Also during 2019, the District reclassified the Food Service Fund to be presented as a Governmental Fund rather than an Enterprise Fund. We did not modify our opinion regarding these matters.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, 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.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 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

February 20, 2020

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**Western Brown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

The discussion and analysis of Western Brown Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

- The School District's overall financial net position increased \$4,323,603 from the prior fiscal year. This increase is mainly due to the change in assumption and benefit terms related to STRS, which caused significant decreases in the net pension and net OPEB liabilities.
- Unrestricted net position increased \$5,011,816 mainly due to the substantial decreases in the net pension and net OPEB liabilities and offset by the changes to their respective deferred outflows and deferred inflows.

### **Using the 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 Western Brown Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The major funds for the Western Brown Local School District are the General Fund and Debt Service Fund.

### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2019?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all *assets, liabilities and deferred inflows and outflows of resources* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**Western Brown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

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

### **Fund Financial Statements**

The analysis of the School District's major funds begins on page eight. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

### **The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal years 2019 and 2018:

**Western Brown Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**Unaudited**

(Table 1)  
**Net Position**

	2019	Restated 2018	Change
<b>Assets:</b>			
Current and Other Assets	\$32,488,985	\$30,164,517	\$2,324,468
Net OPEB Asset	1,760,616	0	1,760,616
Capital Assets, Net	35,376,248	36,990,693	(1,614,445)
Total Assets	<u>69,625,849</u>	<u>67,155,210</u>	<u>2,470,639</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding	12,712	19,068	(6,356)
Pension	8,588,396	11,003,361	(2,414,965)
OPEB	506,208	563,753	(57,545)
Total Deferred Outflows of Resources	<u>9,107,316</u>	<u>11,586,182</u>	<u>(2,478,866)</u>
<b>Liabilities:</b>			
Other Liabilities	3,738,123	3,321,700	416,423
Long-Term Liabilities:			
Due Within One Year	726,306	854,242	(127,936)
Net Pension Liability	30,718,885	33,402,630	(2,683,745)
Net OPEB Liability	3,246,248	7,594,168	(4,347,920)
Other Amounts	2,168,996	2,740,422	(571,426)
Total Liabilities	<u>40,598,558</u>	<u>47,913,162</u>	<u>(7,314,604)</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	4,079,446	4,297,976	(218,530)
Revenue in Lieu of Taxes	125,632	125,692	(60)
Pension	2,201,932	1,345,304	856,628
OPEB	3,195,993	851,287	2,344,706
Total Deferred Inflows of Resources	<u>\$9,603,003</u>	<u>\$6,620,259</u>	<u>\$2,982,744</u>

(continued)

**Western Brown Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
*Unaudited*

(Table 1)

**Net Position**

(Continued)

	2019	Restated 2018	Change
<b>Net Position:</b>			
Net Investment in Capital Assets	\$34,533,512	\$35,507,589	(\$974,077)
Restricted	5,516,978	5,231,114	285,864
Unrestricted (Deficit)	(11,518,916)	(16,530,732)	5,011,816
Total Net Position	\$28,531,574	\$24,207,971	\$4,323,603

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

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

Current and other assets of governmental activities increased \$2,324,468 from the prior year. This increase is primarily due to cash and cash equivalents increasing, due to revenue exceeding expenditures. Capital assets net of depreciation decreased \$1,614,445 during fiscal year 2019 due to current year deletes and depreciation exceeding additions.

**Western Brown Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**Unaudited**

Total Liabilities decreased \$7,314,604. The decrease is mainly due to the State-wide pension systems' changes in assumptions and benefit terms.

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

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants, and contributions. General Revenues include property taxes, unrestricted grants, such as State foundation support, unrestricted donations, unrestricted interest, revenue in lieu of taxes, and miscellaneous.

(Table 2)  
**Changes in Net Position**

	2019	Restated 2018	Change
<b>Revenues:</b>			
Program Revenues:			
Charges for Services and Sales	\$2,912,853	\$2,382,454	\$530,399
Operating Grants and Contributions	5,262,643	4,162,319	1,100,324
Capital Grants and Contributions	55,000	55,967	(967)
Total Program Revenues	<u>8,230,496</u>	<u>6,600,740</u>	<u>1,629,756</u>
General Revenues:			
Property Taxes	6,167,301	5,382,145	785,156
Grants and Entitlements not Restricted to Specific Programs	24,216,989	24,397,129	(180,140)
Gifts and Donations not Restricted to Specific Programs	23,559	0	23,559
Interest	346,813	177,037	169,776
Revenue in Lieu of Taxes	163,978	149,934	14,044
Miscellaneous	187,730	137,208	50,522
Total General Revenues	<u>31,106,370</u>	<u>30,243,453</u>	<u>862,917</u>
Total Revenues	<u>39,336,866</u>	<u>36,844,193</u>	<u>2,492,673</u>
<b>Program Expenses:</b>			
Instruction:			
Regular	16,552,747	8,132,385	8,420,362
Special	3,620,119	2,536,098	1,084,021
Vocational	179,831	108,506	71,325
Student Intervention Services	\$1,780	\$16,070	(\$14,290)

(continued)

**Western Brown Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
*Unaudited*

(Table 2)  
**Changes in Net Position**  
(Continued)

	2019	Restated 2018	Change
Support Services:			
Pupils	\$1,560,272	\$1,128,154	\$432,118
Instructional Staff	447,804	277,397	170,407
Board of Education	18,253	18,527	(274)
Administration	2,191,507	1,474,175	717,332
Fiscal	665,608	592,771	72,837
Operation and Maintenance of Plant	2,984,552	2,707,453	277,099
Pupil Transportation	2,800,907	2,218,058	582,849
Central	1,103,376	957,832	145,544
Operation of Non-Instructional Services	1,561,225	14,971	1,546,254
Extracurricular Activities	1,262,169	798,059	464,110
Interest and Fiscal Charges	63,113	78,854	(15,741)
Total Expenses	<u>35,013,263</u>	<u>21,059,310</u>	<u>13,953,953</u>
Change in Net Position	4,323,603	15,784,883	
Net Position at Beginning of Year	24,207,971	10,532,987	
Restatement	0	(2,109,899)	
Net Position at End of Year	<u>\$28,531,574</u>	<u>\$24,207,971</u>	

**Governmental Activities**

The School District remains heavily reliant on State funding. Grants and Entitlements not restricted to specific programs made up 62 percent of total revenues of the Western Brown Local School District for fiscal year 2019.

Instruction comprises 58 percent of governmental program expenses while support services are responsible for 34 percent. Overall, expenses increased \$13,953,953 predominately due to the State-wide pension systems' changes in assumptions and benefit terms which caused pension expense to be negative in fiscal year 2018, which causes the appearance of a large increase in total expenses.

The statement of activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

**Western Brown Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
**Unaudited**

(Table 3)

**Governmental Activities**

	Total Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2019	Net Cost of Services 2018
Instruction	\$20,354,477	\$10,793,059	\$15,396,417	\$5,674,269
Support Services	11,772,279	9,374,367	10,686,702	8,361,328
Operation of Non-Instructional Services	1,561,225	14,971	98,988	(2,460)
Extracurricular Activities	1,262,169	798,059	537,547	346,579
Interest and Fiscal Charges	63,113	78,854	63,113	78,854
<b>Total Expenses</b>	<b>\$35,013,263</b>	<b>\$21,059,310</b>	<b>\$26,782,767</b>	<b>\$14,458,570</b>

**The School District's Funds**

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$39,377,329 and expenditures of \$37,211,476.

The General Fund saw an increase in fund balance of \$1,846,879. This was mainly due to revenues outpacing expenditures.

The Debt Service Fund saw an increase in fund balance of \$218,856. This increase is due to property tax collections exceeding the amount needed to pay annual debt payments.

**General Fund - Budget Highlights**

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

During the course of fiscal year 2019, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts starts on page 19, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the original budgeted basis revenues and final budget amounts were \$34,446,895 and \$34,430,408 respectively. The School District's actual revenues were \$34,539,571 at fiscal year-end. The \$109,163 variance between final budget and actual revenue is primarily due to the increase in interest earned on cash and investments. During fiscal year 2019, interest rates increased higher than the School District estimated.

**Western Brown Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
*Unaudited*

Original budget basis appropriations and final budget appropriations were \$33,789,407. The School District's actual expenditures and encumbrances were \$32,733,690 at fiscal year-end. The variance between final budget and actual expenditures for regular instruction is due to the School District implementing chrome books for each student 9<sup>th</sup> through 12<sup>th</sup> grade. The School District estimated the implementation to be higher than the actual cost. The variance in operation and maintenance of plant is due to the School District not needing to make as many repairs as anticipated. Actual pupil transportation expenditures were less than the final budget due to the School District purchasing fewer buses and supplies than planned.

The School District's ending unobligated cash balance was \$1,034,424 above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2019, the School District had \$35,376,248 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles.

Table 4 shows fiscal year 2019 balances compared to fiscal year 2018:

(Table 4)  
**Capital Assets at June 30**  
 (Net of Depreciation)

	2019	Restated 2018
Land	\$2,567,453	\$2,567,453
Construction in Progress	0	13,485
Buildings and Improvements	31,123,668	32,713,344
Furniture and Equipment	424,942	560,765
Vehicles	1,260,185	1,135,646
<b>Totals</b>	<b>\$35,376,248</b>	<b>\$36,990,693</b>

Net capital assets decreased from the prior fiscal year. The amount of depreciation was greater than the additions to capital assets, resulting in the decrease. This is due to the School District not making major capital asset purchases.

For more information on capital assets, refer to Note 9 to the basic financial statements.

**Western Brown Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2019**  
*Unaudited*

**Debt**

At June 30, 2019, the School District had \$1,093,208 in bonds outstanding, \$555,000 of which is due within one year. Table 5 summarizes bonds outstanding at fiscal year-end 2019 and 2018:

(Table 5)

**Outstanding Debt, at Fiscal Year-End**

	2019	2018
2011 School Improvement Refunding Bonds	\$830,000	\$1,345,000
Premium on Debt Issue	25,448	38,172
Accretion on Capital Appreciation Bonds	237,760	199,823
Total	\$1,093,208	\$1,582,995

At June 30, 2019, the School District's overall legal debt margin was \$27,828,073 with an unvoted debt margin of \$288,214. The School District had a AA- bond rating by Standard and Poor's Rating Service on the 2011 School Improvement Refunding Bonds.

For more information about debt, refer to Note 15 to the basic financial statements.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Denny Dunlap, Treasurer, Western Brown Local School District, 524 West Main Street, Mt. Orab, OH 45154, or e-mail at [Denny.Dunlap@wbbrncos.com](mailto:Denny.Dunlap@wbbrncos.com).

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**Western Brown Local School District**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$24,800,897
Cash and Cash Equivalents with Fiscal Agent	5,000
Inventory Held for Resale	12,636
Materials and Supplies Inventory	3,775
Taxes Receivable	6,682,154
Revenue in Lieu of Taxes Receivable	125,632
Accounts Receivable	9,511
Intergovernmental Receivable	804,759
Prepaid Items	44,621
Net OPEB Asset (See Note 12)	1,760,616
Capital Assets:	
Nondepreciable Capital Assets	2,567,453
Depreciable Capital Assets, Net	32,808,795
<i>Total Assets</i>	69,625,849
<b><u>Deferred Outflows of Resources:</u></b>	
Deferred Charge on Refunding	12,712
Pension	8,588,396
OPEB	506,208
<i>Total Deferred Outflows of Resources</i>	9,107,316
<b><u>Liabilities:</u></b>	
Accounts Payable	354,193
Accrued Wages and Benefits Payable	2,980,880
Intergovernmental Payable	396,262
Matured Bonds Payable	5,000
Accrued Interest Payable	1,788
Long-Term Liabilities:	
Due Within One Year	726,306
Due in More Than One Year:	
Net Pension Liability (See Note 11)	30,718,885
OPEB Liability (See Note 12)	3,246,248
Other Amounts	2,168,996
<i>Total Liabilities</i>	\$40,598,558
<b><u>Deferred Inflows of Resources:</u></b>	
Property Taxes	\$4,079,446
Revenue in Lieu of Taxes	125,632
Pension	2,201,962
OPEB	3,195,993
<i>Total Deferred Inflows of Resources</i>	9,603,033
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	34,533,512
Restricted for:	
Debt Service	2,804,428
Classroom Facilities	2,044,320
District Managed Activities	187,500
Miscellaneous Grants	299,416
Scholarships	39,235
Student Managed Activities	142,079
Unrestricted (Deficit)	(11,518,916)
<i>Total Net Position</i>	\$28,531,574

See accompanying notes to the basic financial statements

**Western Brown Local School District**  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b><u>Governmental Activities:</u></b>					
Instruction:					
Regular	\$16,552,747	\$1,076,584	\$909,857	\$0	(\$14,566,306)
Special	3,620,119	210,353	2,517,334	0	(892,432)
Vocational	179,831	0	243,932	0	64,101
Student Intervention Services	1,780	0	0	0	(1,780)
Support Services:					
Pupils	1,560,272	101,779	23,312	0	(1,435,181)
Instructional Staff	447,804	0	88,244	0	(359,560)
Board of Education	18,253	0	0	0	(18,253)
Administration	2,191,507	133,855	118,940	0	(1,938,712)
Fiscal	665,608	0	0	0	(665,608)
Operation and					
Maintenance of Plant	2,984,552	187,845	136,867	0	(2,659,840)
Pupil Transportation	2,800,907	166,841	120,694	0	(2,513,372)
Central	1,103,376	0	7,200	0	(1,096,176)
Operation of Non-Instructional					
Services	1,561,225	408,360	1,053,877	0	(98,988)
Extracurricular Activities	1,262,169	627,236	42,386	55,000	(537,547)
Interest and Fiscal Charges	63,113	0	0	0	(63,113)
<b>Total Governmental Activities</b>	<b>\$35,013,263</b>	<b>\$2,912,853</b>	<b>\$5,262,643</b>	<b>\$55,000</b>	<b>(26,782,767)</b>
<b><u>General Revenues:</u></b>					
Property Taxes Levied for:					
					5,396,425
					96,333
					674,543
Grants and Entitlements					
					24,216,989
not Restricted to Specific Programs					
					23,559
not Restricted to Specific Programs					
					346,813
Investment Earnings					
					163,978
Revenue in Lieu of Taxes					
					187,730
Miscellaneous					
					187,730
<b>Total General Revenues</b>					<b>31,106,370</b>
Change in Net Position					4,323,603
<i>Net Position at Beginning of Year - Restated (See Note 3)</i>					24,207,971
<i>Net Position at End of Year</i>					<b>\$28,531,574</b>

See accompanying notes to the basic financial statements

**Western Brown Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2019*

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$19,771,296	\$2,521,390	\$2,508,211	\$24,800,897
Cash and Cash Equivalents with Fiscal Agent	0	5,000	0	5,000
Inventory Held for Resale	0	0	12,636	12,636
Materials and Supplies Inventory	0	0	3,775	3,775
Receivables:				
Taxes	5,820,286	764,882	96,986	6,682,154
Revenue in Lieu of Taxes	125,632	0	0	125,632
Accounts	9,511	0	0	9,511
Intergovernmental	106,148	0	698,611	804,759
Interfund	205,456	0	0	205,456
Prepaid Items	44,621	0	0	44,621
<b>Total Assets</b>	<b><u>\$26,082,950</u></b>	<b><u>\$3,291,272</u></b>	<b><u>\$3,320,219</u></b>	<b><u>\$32,694,441</u></b>
<b><u>Liabilities:</u></b>				
Accounts Payable	\$333,922	\$0	\$20,271	\$354,193
Accrued Wages and Benefits Payable	2,673,626	0	307,254	2,980,880
Interfund Payable	0	0	205,456	205,456
Intergovernmental Payable	351,985	0	44,277	396,262
Matured Bonds Payable	0	5,000	0	5,000
<b>Total Liabilities</b>	<b><u>3,359,533</u></b>	<b><u>5,000</u></b>	<b><u>577,258</u></b>	<b><u>3,941,791</u></b>
<b><u>Deferred Inflows of Resources:</u></b>				
Property Taxes	3,541,680	480,056	57,710	4,079,446
Revenue in Lieu of Taxes	125,632	0	0	125,632
Unavailable Revenue	794,522	87,400	403,810	1,285,732
<b>Total Deferred Inflows of Resources</b>	<b><u>4,461,834</u></b>	<b><u>567,456</u></b>	<b><u>461,520</u></b>	<b><u>5,490,810</u></b>
<b><u>Fund Balances:</u></b>				
Nonspendable	44,621	0	3,775	48,396
Restricted	0	2,718,816	2,445,068	5,163,884
Committed	330,129	0	0	330,129
Assigned	503,771	0	0	503,771
Unassigned (Deficit)	17,383,062	0	(167,402)	17,215,660
<b>Total Fund Balances</b>	<b><u>18,261,583</u></b>	<b><u>2,718,816</u></b>	<b><u>2,281,441</u></b>	<b><u>23,261,840</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$26,082,950</u></b>	<b><u>\$3,291,272</u></b>	<b><u>\$3,320,219</u></b>	<b><u>\$32,694,441</u></b>

See accompanying notes to the basic financial statements

**Western Brown Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities*  
 June 30, 2019

**Total Governmental Fund Balances** \$23,261,840

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

Capital assets used in governmental activities are not financial resources  
 and therefore are not reported in the funds. These assets consist of:

Land	2,567,453	
Depreciable capital assets	77,091,578	
Accumulated depreciation	(44,282,783)	
Total capital assets		35,376,248

Some of the School District's revenues will be collected after fiscal  
 year-end, but are not available soon enough to pay for the current  
 period's expenditures and therefore are deferred in the funds.

Taxes	798,663	
Intergovernmental	391,744	
Miscellaneous	95,325	
Total Unavailable Revenues		1,285,732

In the statement of activities, interest is accrued on outstanding bonds, whereas  
 in governmental funds, an interest expenditure is reported when due. (1,788)

Deferred Outflows of Resources represent deferred charges on refundings  
 which do not provide current financial resources and therefore are  
 not reported in the funds. 12,712

The net pension/opeb liability (asset) is not due and payable in the current period;  
 therefore, the liability (asset) and related deferred inflows/outflows are not  
 reported in the governmental funds:

Net OPEB Asset	1,760,616	
Deferred Outflows - Pension	8,588,396	
Deferred Outflows - OPEB	506,208	
Net Pension Liability	(30,718,885)	
Net OPEB Liability	(3,246,248)	
Deferred Inflows - Pension	(2,201,962)	
Deferred Inflows - OPEB	(3,195,993)	
Total Pension/OPEB		(28,507,868)

Some liabilities are not due and payable in the current period and  
 therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(830,000)	
Premium on debt issue	(25,448)	
Accretion on capital appreciation bonds	(237,760)	
Compensated absences payable	(1,802,094)	
Total liabilities		(2,895,302)

**Net Position of Governmental Activities** \$28,531,574

See accompanying notes to the basic financial statements

**Western Brown Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2019*

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$5,535,079	\$691,874	\$99,480	\$6,326,433
Intergovernmental	26,431,376	91,824	2,852,328	29,375,528
Investment Earnings	345,574	0	1,239	346,813
Tuition and Fees	1,877,257	0	2,784	1,880,041
Extracurricular Activities	101,946	0	522,506	624,452
Contributions and Donations	78,559	0	80,760	159,319
Customer Sales and Services	0	0	408,360	408,360
Revenue in Lieu of Taxes	163,978	0	0	163,978
Miscellaneous	49,265	0	43,140	92,405
<i>Total Revenues</i>	<u>34,583,034</u>	<u>783,698</u>	<u>4,010,597</u>	<u>39,377,329</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	16,988,586	0	911,971	17,900,557
Special	3,306,763	0	528,894	3,835,657
Vocational	187,495	0	0	187,495
Student Intervention Services	1,780	0	0	1,780
Support Services:				
Pupils	1,602,256	0	16,350	1,618,606
Instructional Staff	384,272	0	79,276	463,548
Board of Education	18,253	0	0	18,253
Administration	2,121,190	0	117,047	2,238,237
Fiscal	612,986	19,917	2,895	635,798
Operation and Maintenance of Plant	2,944,911	0	2,616	2,947,527
Pupil Transportation	2,646,361	0	0	2,646,361
Central	1,095,119	0	7,200	1,102,319
Operation of Non-Instructional Services	0	0	1,509,499	1,509,499
Extracurricular Activities	556,835	0	582,279	1,139,114
Capital Outlay	147,484	0	152,452	299,936
Debt Service:				
Principal Retirement	119,000	515,000	0	634,000
Interest and Fiscal Charges	2,864	29,925	0	32,789
<i>Total Expenditures</i>	<u>32,736,155</u>	<u>564,842</u>	<u>3,910,479</u>	<u>37,211,476</u>
<i>Net Change in Fund Balances</i>	1,846,879	218,856	100,118	2,165,853
<i>Fund Balances at Beginning of Year - Restated (See Note 3)</i>	<u>16,414,704</u>	<u>2,499,960</u>	<u>2,181,323</u>	<u>21,095,987</u>
<i>Fund Balances at End of Year</i>	<u>\$18,261,583</u>	<u>\$2,718,816</u>	<u>\$2,281,441</u>	<u>\$23,261,840</u>

See accompanying notes to the basic financial statements

**Western Brown Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2019*

**Net Change in Fund Balances - Total Governmental Funds** \$2,165,853

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	426,135	
Depreciation expense	<u>(2,037,282)</u>	
Excess of depreciation expense over capital outlay		(1,611,147)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

Loss on disposal of capital assets		(3,298)
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent property taxes	(159,132)	
Intergovernmental	23,344	
Miscellaneous	<u>95,325</u>	
Total		(40,463)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of:

Bond principal retirement	515,000	
Long-term loans	<u>119,000</u>	
Total long-term debt repayment		634,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the statement of activities is the result of the following:

Decrease in accrued interest	1,245	
Amortization of deferred charge on refunding	(6,356)	
Amortization of bond premium	12,724	
Accretion on capital appreciation bonds	<u>(37,937)</u>	
Total		(30,324)

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

Pension	2,361,027	
OPEB	<u>76,075</u>	
Total		\$2,437,102

(Continued)

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

Pension	(\$2,948,905)	
OPEB	<u>3,630,210</u>	
Total		681,305

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

Decrease in compensated absences		<u>90,575</u>
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**Change in Net Position of Governmental Activities** \$4,323,603

See accompanying notes to the basic financial statements

**Western Brown Local School District**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b><u>Revenues:</u></b>				
Property Taxes	\$5,268,991	\$5,268,991	\$5,265,472	(\$3,519)
Intergovernmental	26,644,600	26,644,600	26,594,333	(50,267)
Investment Earnings	175,000	175,000	382,454	207,454
Tuition and Fees	1,977,940	1,971,923	1,909,112	(62,811)
Extracurricular Activities	114,393	107,523	101,608	(5,915)
Contributions and Donations	65,009	65,009	78,559	13,550
Revenue in Lieu of Taxes	150,000	150,000	163,978	13,978
Miscellaneous	50,962	47,362	44,055	(3,307)
<b>Total Revenues</b>	<b>34,446,895</b>	<b>34,430,408</b>	<b>34,539,571</b>	<b>109,163</b>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	17,421,089	17,089,089	16,611,182	477,907
Special	3,174,575	3,324,575	3,260,588	63,987
Vocational	195,638	195,638	190,576	5,062
Student Intervention Services	16,966	16,966	1,780	15,186
Support Services:				
Pupils	1,664,795	1,664,795	1,596,495	68,300
Instructional Staff	361,068	411,068	387,850	23,218
Board of Education	16,804	16,804	15,818	986
Administration	2,232,825	2,182,825	2,125,103	57,722
Fiscal	628,466	628,466	606,187	22,279
Operation and Maintenance of Plant	3,128,386	3,053,386	2,950,325	103,061
Pupil Transportation	3,112,798	3,097,798	2,897,368	200,430
Central	1,046,192	1,096,192	1,091,788	4,404
Extracurricular Activities	572,582	629,582	625,207	4,375
Capital Outlay	86,976	251,976	251,559	417
Debt Service:				
Principal Retirement	122,000	122,000	119,000	3,000
Interest and Fiscal Charges	8,247	8,247	2,864	5,383
<b>Total Expenditures</b>	<b>33,789,407</b>	<b>33,789,407</b>	<b>32,733,690</b>	<b>1,055,717</b>
Excess of Revenues Over Expenditures	<b>\$657,488</b>	<b>\$641,001</b>	<b>\$1,805,881</b>	<b>\$1,164,880</b>
<b><u>Other Financing Sources (Uses):</u></b>				
Advances In	\$80,882	\$80,882	\$80,882	\$0
Advances Out	(75,000)	(75,000)	(205,456)	(130,456)
<b>Total Other Financing Sources (Uses)</b>	<b>5,882</b>	<b>5,882</b>	<b>(124,574)</b>	<b>(130,456)</b>
Net Change in Fund Balance	663,370	646,883	1,681,307	1,034,424
Fund Balance at Beginning of Year	17,039,880	17,039,880	17,039,880	0
Prior Year Encumbrances Appropriated	528,909	528,909	528,909	0
Fund Balance at End of Year	<b>\$18,232,159</b>	<b>\$18,215,672</b>	<b>\$19,250,096</b>	<b>\$1,034,424</b>

See accompanying notes to the basic financial statements

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*Western Brown Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Western Brown Local School District (the “School 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 School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District. The Board controls the School District's four instructional support facilities staffed by 107 non-certificated, 180 teaching and 22 administrative employees providing education to 3,157 students.

The School District serves an area of approximately 141 square miles. It is located in Brown County, and includes the Village of Mt. Orab, the Village of Hamersville and portions of surrounding townships.

**Reporting Entity**

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

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

The School District participates in three jointly governed organizations, one public entity shared risk pool and one insurance purchasing pool. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements. These organizations are:

*Western Brown Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2019*

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Jointly Governed Organizations:

Metropolitan Educational Technology Association (META)  
Hamilton/Clermont Cooperative (HCC)  
Unified Purchasing Cooperative of the Ohio River Valley  
Southern Hills Joint Vocational School District

Public Entity Shared Risk Pool:

Brown County Schools Benefits Consortium

Insurance Purchasing Pool:

Ohio SchoolComp Workers' Compensation Group Rating Plan

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

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

**Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

**Western Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Fund Financial Statements**

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

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories: governmental and fiduciary. The School District has no fiduciary funds.

**Governmental Funds**

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

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

Debt Service Fund - The Debt Service Fund is used to account for and report the accumulation of property taxes restricted for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

*Western Brown Local School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

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

**Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes and revenue in lieu of taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants,

**Western Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 for advance, student fees, interest, tuition and fees, rentals, and grants.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, revenue in lieu of taxes, pension and OPEB plans and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 11 and 12)

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Notes to the Basic Financial Statements  
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Expenses/Expenditures

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

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

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

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

**Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in pooled cash and cash equivalents”. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as “Cash and cash equivalents with fiscal agents” and represents deposits.

During fiscal year 2019, the School District invested in STAROhio, US Treasury Bills, and Money Market Mutual Funds. Investments, not including STAROhio, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price.

During fiscal year 2019, the School District invested in STAROhio. STAROhio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAROhio at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2019 amounted to \$345,574, which includes \$70,189 assigned from other School District funds. Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable/Payable”. Interfund balances are eliminated in the Statement of Net Position.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories consist of consumable supplies and purchased and donated food held for resale. Consumable supplies inventory is stated at cost, while inventory held for resale is stated at the lower of cost or market.

**Capital Assets**

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

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*Notes to the Basic Financial Statements*  
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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>
Buildings and Improvements	10 - 75 years
Furniture and Equipment	5 - 20 years
Vehicles	3 - 15 years

**Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

**Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. 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.

**Fund Balance**

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

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

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Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District resolutions). Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the 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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or State Statute. State statute authorizes the Treasurer to assign fund balance for purchase orders provided such amounts have been lawfully appropriated. The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2020 appropriation budget.

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

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

*Western Brown Local School District  
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**Net Position**

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

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

**Internal Activity**

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

**Budgetary Process**

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of 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 sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. 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 fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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

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Notes to the Basic Financial Statements  
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**Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

**Estimates**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

**Change in Accounting Principles**

For fiscal year 2019, the School District implemented GASB Statement No. 84, “Fiduciary Activities”, GASB Statement No. 87 “Leases”, GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.

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

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting private purpose trust and agency funds. The School District has reviewed its private purpose trust and agency funds and determined that those funds should be reclassified as governmental funds. These fund reclassifications resulted in a restatement of the School District’s financial statements.

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*Notes to the Basic Financial Statements*  
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GASB 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the School District’s 2019 financial statements; however, there was no effect on the financial statements.

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

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

For fiscal year 2019, the School District also determined that the Food Service Fund should be presented as a Governmental Fund rather than an Enterprise Fund. The classification change was due to the fact that the fund did not meet the criteria mandating it to be an Enterprise Fund. The change in fund classification had the following effect on the fund balance and net position as they were previously reported.

**Restatement of Net Position and Fund Balances**

The implementation of GASB Statement No. 84 and the change in classification of the Food Service Fund had the following effects on net position and fund balances as of June 30, 2018.

	Governmental Funds - Restatement			
	General	Debt Service	Nonmajor	Total
	Fund	Fund	Governmental Funds	
Fund Balance June 30, 2018	\$16,414,704	\$2,499,960	\$2,076,615	\$20,991,279
Adjustments:				
Current Assets	0	0	234,371	234,371
Current Liabilities	0	0	(129,663)	(129,663)
Restated Fund Balance				
June 30, 2018	<u>\$16,414,704</u>	<u>\$2,499,960</u>	<u>\$2,181,323</u>	<u>\$21,095,987</u>

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Enterprise Fund - Restatement	Fiduciary Funds - Restatement
Service Fund	Fiduciary Funds
Net Position June 30, 2018	(\$2,283,061)
Adjustments:	
Current Assets	(61,209)
Current Liabilities	129,663
Capital Assets	(724,768)
Deferred Outflows	(503,282)
Long-term Liabilities	3,313,737
Deferred Inflows	128,920
Restated Net Position June 30, 2018	\$0

	Governmental Activities	Food Service Fund	Fiduciary Funds
Net Position (Deficit) June 30, 2018	\$26,317,870	(\$2,283,061)	\$29,673
Adjustments:			
Current Assets	234,371	(61,209)	(173,162)
Current Liabilities	(129,663)	129,663	0
Elimination of Former Agency Fund Liabilities	0	0	143,489
Capital Assets	724,768	(724,768)	0
Deferred Outflows	478,170	(503,282)	0
Long-term Liabilities	(3,313,737)	3,313,737	0
Deferred Inflows	(103,808)	128,920	0
Restated Net Position Deficit June 30, 2018	\$24,207,971	\$0	\$0

**NOTE 4 - ACCOUNTABILITY**

At June 30, 2019, the following nonmajor special revenue funds had deficit fund balances:

Funds	Amounts
Food Service Fund	\$63,040
Title VI-B Fund	50,181
Title I Fund	34,721
Reducing Class Size	15,685
Total	\$163,627

**Western Brown Local School District**  
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The deficits in all fund balances were due to accrual in GAAP. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).
5. Unrecorded cash represents interest received, but not included as revenue on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$1,846,879
Adjustments:	
Revenue Accruals	67,861
Expenditure Accruals	287,767
Encumbrances	(490,758)
Increase in Fair Market Value of Investments - 2019	(28,712)
Unrecorded Cash - 2019	(1,730)
Budget Basis	\$1,681,307

*Western Brown Local School District  
Notes to the Basic Financial Statements  
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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the 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 the term of the agreement must not exceed thirty days;

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4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met,
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

Investments

Investments are reported at fair value. As of June 30, 2019, the School District had the following investments, which are in an internal investment pool:

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<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard &amp; Poor's Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value per Share:				
STAROhio	\$2,092,082	Less than one year	AAAm	N/A
Fair Value - Level Two Inputs:				
US Treasury Bills	2,023,669	Less than one year	A-1+	N/A
Money Market Mutual Funds	13,508	Less than one year	AAAm	N/A
Total Investments	<u>\$4,129,259</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2019. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

The Standard and Poor's rating of the school District's investments is listed in the table above. STAROhio is permitted by Ohio Revised Code Section 135.45. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District places no limit on the amount it may invest in any one issuer.

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Notes to the Basic Financial Statements  
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**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien 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 currently is assessed at varying percentages of true value.

The School District receives property taxes from Brown County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were 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 reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2019, was \$1,804,045 and is recognized as revenue: \$1,579,409 in the General Fund, and \$197,426 in the Debt Service Fund, and \$27,210 in the Classroom Facility Maintenance Fund. The amount available as an advance at June 30, 2018, was \$1,309,802 in the General Fund, \$163,725 in the Debt Service Fund, and \$23,661 in the Classroom Facility Maintenance Fund.

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

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

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$263,342,320	95.89%	\$276,003,530	95.76%
Public Utility Personal	11,295,440	4.11%	12,210,440	4.24%
Total Assessed Value	\$274,637,760	100.00%	\$288,213,970	100.00%
Tax rate per \$1,000 of assessed valuation	\$23.00		\$23.00	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2019, consisted of property taxes, revenue in lieu of taxes, accounts, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes and revenue in lieu of taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Revenue in Lieu of Taxes will be received over the designated period established by the agreement.

The intergovernmental receivables are as follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
IDEA-B	\$158,471
IDEA - Restoration	22,553
IDEA - Preschool Restoration	2,326
Title I - Targeted Assistance Grant	263,698
Title II	43,770
Title IV-A	41,884
Title V-B	65,546
School Employees Retirement System Refund	13,842
Foundation Adjustment	722
Striving Readers Comprehensive Literacy	96,622
Bureau of Worker's Compensation Refund	95,325
Total Intergovernmental Receivables	\$804,759

**Western Brown Local School District**  
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**NOTE 9 - CAPITAL ASSETS**

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

	Restated Balance 6/30/2018	Additions	Deductions	Balance 6/30/2019
<b><u>Governmental Activities:</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$2,567,453	\$0	\$0	\$2,567,453
Construction in Progress	13,485	11,321	(24,806)	0
Total Capital Assets, Not Being Depreciated	<u>2,580,938</u>	<u>11,321</u>	<u>(24,806)</u>	<u>2,567,453</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	65,837,342	62,082	0	65,899,424
Furniture and Equipment	7,760,111	41,819	0	7,801,930
Vehicles	3,372,017	335,719	(317,512)	3,390,224
Total Capital Assets, Being Depreciated	<u>76,969,470</u>	<u>439,620</u>	<u>(317,512)</u>	<u>77,091,578</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(33,123,998)	(1,651,758)	0	(34,775,756)
Furniture and Equipment	(7,199,346)	(177,642)	0	(7,376,988)
Vehicles	(2,236,371)	(207,882)	314,214	(2,130,039)
Total Accumulated Depreciation	<u>(42,559,715)</u>	<u>(2,037,282) *</u>	<u>314,214</u>	<u>(44,282,783)</u>
Total Capital Assets, Being Depreciated, Net	<u>34,409,755</u>	<u>(1,597,662)</u>	<u>(3,298)</u>	<u>32,808,795</u>
Governmental Activities Capital Assets, Net	<u>\$36,990,693</u>	<u>(\$1,586,341)</u>	<u>(\$28,104)</u>	<u>\$35,376,248</u>

\* Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$1,195,672
Special	83,717
Vocational	17,447
Support Services:	
Pupils	56,813
Instructional Staff	6,680
Administration	213,485
Fiscal	9,068
Operation and Maintenance of Plant	31,493
Pupil Transportation	217,105
Central	4,234
Food Service Operations	40,528
Extracurricular Activities	161,040
Total Depreciation Expense	<u><u>\$2,037,282</u></u>

**NOTE 10 - RISK MANAGEMENT**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District contracted with Netherlands Insurance Company for general liability insurance and School Board errors and omissions coverage. The School District contracted with Indiana Insurance Group for commercial umbrella liability insurance. The School District's vehicles are covered by Netherlands Consolidated Insurance Company under a business policy.

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

**Workers' Compensation**

For fiscal year 2019, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

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**Employee Medical**

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (see Note 18) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

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

**Net Pension Liability/Net OPEB Liability**

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a

**Western Brown Local School District**  
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portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](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 on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$502,143 for fiscal year 2019. None of this amount is reported as an intergovernmental payable.

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

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

The School District's contractually required contribution to STRS was \$1,858,884 for fiscal year 2019. Of this amount, \$306,210 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.12159580%	0.11002868%	
Current Measurement Date	<u>0.11572450%</u>	<u>0.10956611%</u>	
Change in Proportionate Share	<u>-0.00587130%</u>	<u>-0.00046257%</u>	
Proportionate Share of the Net			
Pension Liability	\$6,627,757	\$24,091,128	\$30,718,885
Pension Expense	\$543,955	\$2,404,950	\$2,948,905

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$363,491	\$556,097	\$919,588
Changes of assumptions	149,669	4,269,402	4,419,071
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	240,482	648,228	888,710
School District contributions subsequent to the measurement date	<u>502,143</u>	<u>1,858,884</u>	<u>2,361,027</u>
Total Deferred Outflows of Resources	<u>\$1,255,785</u>	<u>\$7,332,611</u>	<u>\$8,588,396</u>

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	SERS	STRS	Total
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$0	\$157,330	\$157,330
Net difference between projected and actual earnings on pension plan investments	183,635	1,460,859	1,644,494
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	197,642	202,496	400,138
<b>Total Deferred Inflows of Resources</b>	<b>\$381,277</b>	<b>\$1,820,685</b>	<b>\$2,201,962</b>

\$2,361,027 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$511,361	\$2,156,923	\$2,668,284
2021	134,828	1,581,281	1,716,109
2022	(217,505)	252,661	35,156
2023	(56,319)	(337,823)	(394,142)
<b>Total</b>	<b>\$372,365</b>	<b>\$3,653,042</b>	<b>\$4,025,407</b>

**Actuarial Assumptions - SERS**

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

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

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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 as follows:

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

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$9,335,695	\$6,627,757	\$4,357,331

**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 as follows:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3.0 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

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

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

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

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	1% Decrease <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
School District's proportionate share of the net pension liability	\$35,181,920	\$24,091,128	\$14,704,276

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2019, one members of the Board of Education have elected Social Security. The contribution rate is 6.20 percent of wages.

**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

See Note 11 for a description of the net OPEB liability.

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

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

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

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$57,477.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$76,075 for fiscal year 2019. Of this amount, \$57,477 is reported as an intergovernmental payable.

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

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

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

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

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Prior Measurement Date	0.12300960%	0.11002868%	
Current Measurement Date	<u>0.11701270%</u>	<u>0.10956611%</u>	
Change in Proportionate Share	<u>-0.00599690%</u>	<u>-0.00046257%</u>	
Proportionate Share of the:			
Net OPEB (Asset)	\$0	(\$1,760,616)	(\$1,760,616)
Net OPEB Liability	\$3,246,248	\$0	\$3,246,248
OPEB Expense	\$172,909	(\$3,803,119)	(\$3,630,210)

At June 30, 2019, the School 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	\$52,990	\$205,642	\$258,632
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	79,699	91,802	171,501
School District contributions subsequent to the measurement date	<u>76,075</u>	<u>0</u>	<u>76,075</u>
Total Deferred Outflows of Resources	<u>\$208,764</u>	<u>\$297,444</u>	<u>\$506,208</u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$0	\$102,579	\$102,579
Changes of assumptions	291,651	2,398,977	2,690,628
Net difference between projected and actual earnings on OPEB plan investments	4,871	201,136	206,007
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	<u>180,295</u>	<u>16,484</u>	<u>196,779</u>
Total Deferred Inflows of Resources	<u>\$476,817</u>	<u>\$2,719,176</u>	<u>\$3,195,993</u>

\$76,075 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	(\$106,738)	(\$431,454)	(\$538,192)
2021	(91,694)	(431,454)	(523,148)
2022	(44,051)	(431,455)	(475,506)
2023	(41,978)	(385,776)	(427,754)
2024	(42,315)	(369,748)	(412,063)
Thereafter	(17,352)	(371,845)	(389,197)
Total	(\$344,128)	(\$2,421,732)	(\$2,765,860)

**Actuarial Assumptions - SERS**

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

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

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

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2018, was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018, was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of

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

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1 % Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$3,939,067	\$3,246,248	\$2,697,666

  

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$2,619,127	\$3,246,248	\$4,076,670

**Actuarial Assumptions – STRS**

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

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

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

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

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

	<u>1% Decrease</u> (6.45%)	<u>Current</u> Discount Rate (7.45%)	<u>1% Increase</u> (8.45%)
School District's proportionate share of the net OPEB asset	(\$1,509,012)	(\$1,760,616)	(\$1,972,076)
	<u>1% Decrease</u>	<u>Current</u> Trend Rate	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$1,960,139)	(\$1,760,616)	(\$1,557,984)

**NOTE 13 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements, Board resolutions and State laws. Eligible classified employees and administrators earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Administrators who are not on a 12 month contract do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each fiscal year under contract. Only 250 days of sick leave may be accumulated during regular employment. Upon severance from the

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School District, payment is made for one-half of administrators' accumulated, but unused sick leave credit and one-fourth of teachers' and classified employees' accumulated, but unused sick leave credit.

**Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through a private insurance carrier. Vision insurance is provided by Vision Service Plan.

**NOTE 14 – FINANCED PURCHASES**

In prior fiscal years, the School District entered into a financed purchase agreement for the construction of a new School District administration building. The School District is purchasing the project from Columbus Regional Airport Authority (formerly known as Rickenbacker Port Authority). Columbus Regional Airport Authority will retain title to the project during the term of the agreement. Columbus Regional Airport Authority has assigned PNC Bank as trustee. The School District makes semi-annual payments to PNC Bank. Interest rates are based on a calculation of the TBMA Index. The agreement is renewable annually and expired in fiscal year 2019. During fiscal year 2019, the School District made the scheduled principal payment of \$48,000 from the General Fund. This year, \$39,657 was included in depreciation expense. The financed purchase agreement was paid off during fiscal year 2019.

In prior fiscal years, the School District entered into a financed purchase agreement for the installation of football field turf. The School District is purchasing the project from Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the agreement term. Columbus Regional Airport Authority has assigned U.S. Bank as trustee. U.S. Bank deposited \$610,000 with the School District. Amounts were then paid to contractors by the School District as the work progressed. The School District makes semi-annual payments to U.S. Bank. Interest rates are based on a calculation of the SIFMA Index and the School District also pays an additional participant cost component. The agreement is renewable annually and expired in fiscal year 2019. During the fiscal year, the School District made the scheduled principal payment of \$71,000 from the General Fund. This year, \$61,000 was included in depreciation expense. The financed purchase agreement was paid off during fiscal year 2019.

The assets acquired through financed purchases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Buildings and Improvements	\$991,436	(\$634,519)	\$356,917
Furniture and Equipment	610,000	(579,500)	30,500
Total	\$1,601,436	(\$1,214,019)	\$387,417

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**NOTE 15 - LONG-TERM LIABILITIES**

The changes in the School District's long-term liabilities during fiscal year 2019 were as follows:

	Restated Amount Outstanding 6/30/2018	Additions	Deductions	Amount Outstanding 6/30/2019	Amounts Due in One Year
<u>Governmental Activities:</u>					
Refunding Bonds 2011:					
Serial Bonds 3.75%	\$1,070,000	\$0	\$515,000	\$555,000	\$555,000
Capital Appreciation Bond 6.25%	275,000	0	0	275,000	0
Premium on Debt Issue	38,172	0	12,724	25,448	0
Accretion of Capital					
Appreciation Bonds	199,823	37,937	0	237,760	0
<b>Total General Obligation Bonds</b>	<b>1,582,995</b>	<b>37,937</b>	<b>527,724</b>	<b>1,093,208</b>	<b>555,000</b>
<u>Other Long-Term Obligations:</u>					
Net Pension Liability:					
SERS	7,265,081	0	637,324	6,627,757	0
STRS	26,137,549	0	2,046,421	24,091,128	0
<b>Total Net Pension Liability</b>	<b>33,402,630</b>	<b>0</b>	<b>2,683,745</b>	<b>30,718,885</b>	<b>0</b>
Net OPEB Liability:					
SERS	3,301,255	0	55,007	3,246,248	0
STRS	4,292,913	0	4,292,913	0	0
<b>Total Net OPEB Liability</b>	<b>7,594,168</b>	<b>0</b>	<b>4,347,920</b>	<b>3,246,248</b>	<b>0</b>
Compensated Absences	1,892,669	197,869	288,444	1,802,094	171,306
Financed Purchases Payable	119,000	0	119,000	0	0
<b>Total Other Long-Term Obligations</b>	<b>43,008,467</b>	<b>197,869</b>	<b>7,439,109</b>	<b>35,767,227</b>	<b>171,306</b>
<b>Total Governmental Activities</b>					
Long-Term Obligations	\$44,591,462	\$235,806	\$7,966,833	\$36,860,435	\$726,306

**School Improvement Bonds 2011**

In February 2011, the School District issued \$3,075,000 in school improvement bonds for the purpose of refunding a portion of the 1998 School Improvement Bonds. \$2,800,000 were serial bonds and \$275,000 was a capital appreciation bond. This was an advance refunding. The bonds were issued for a 10 year period, with final maturity in December 2020. The bonds are paid from the debt service fund.

The School District defeased the 1998 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2019, \$1,170,000 of the refunded bonds were outstanding.

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The capital appreciation bond will mature in fiscal year 2021. The maturity amount of the capital appreciation bond will be \$575,000. The capital appreciation bond is paid from the debt service fund. For fiscal year 2019, the capital appreciation bond was accreted \$37,937.

Compensated absences will be paid from the General, Title VI-B, Title I, Improving Teacher Quality and Food Service funds. There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the following funds: General, Title VI-B, Title I, Improving Teacher Quality and Food Service funds. For additional information related to the net pension/OPEB liability see Notes 11 and 12.

The School District's overall legal debt margin was \$27,828,073 with an unvoted debt margin of \$288,214 at June 30, 2019.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2019 are as follows:

School Improvement Refunding Bonds 2011					
Fiscal Year	Serial	Serial	Capital	Capital	Total
Ending June 30,	Bonds	Bonds	Appreciation	Appreciation	
	Principal	Interest	Principal	Interest	
2020	\$555,000	\$11,100	\$0	\$0	\$566,100
2021	0	0	275,000	300,000	575,000
Total	\$555,000	\$11,100	\$275,000	\$300,000	\$1,141,100

**NOTE 16 – INTERFUND ACTIVITY**

As of June 30, 2019, receivables and payables that resulted from various interfund transactions were as follows:

<b>Payable</b>		<b>Receivable</b>	
	Nonmajor Governmental Funds	<u>General Fund</u>	<u>\$205,456</u>

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receipt of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance. All advances are expected to be repaid within one year.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Educational Technology Association (META)**

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium and a regional council of governments. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and twelve board members who represent the members of META. The Board works with META's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid META \$150,363 for services provided during the fiscal year. Financial information can be obtained from META Solutions at 100 Executive Drive, Marion Ohio 43302.

**Hamilton/Clermont Cooperative (HCC)**

Starting in the fiscal year 2019, the School District began participating in the two county Council of Governments that operates the Hamilton/Clermont Cooperative (HCC). HCC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of HCC consists of one representative from each of the participating members. The School District paid \$340,060 for services provided during the fiscal year. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Complete financial statements for HCC can be obtained from the Hamilton County Educational Service Center at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

**Unified Purchasing Cooperative of the Ohio River Valley**

The Unified Purchasing Cooperative of the Ohio River Valley (UPC) is a purchasing cooperative made up of 53 public school districts, 81 non-public schools, three joint vocational school districts, one MRDD, two Head Start programs, four Educational Service centers and six other non-profit organizations in Southwestern Ohio, Northern Kentucky and Southeastern Indiana. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the UPC.

The Board of Directors is elected from among the active members and consists of one representative each from Brown, Butler, Clermont and Hamilton Counties, as well as one representative from Kentucky, one from Indiana, and one at-large representative from a public

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school district with an enrollment greater than 5,000 students. In addition, the superintendents of the Hamilton County Educational Service Center and the Clermont County Educational Service Center also serve on the Board of Directors. The Hamilton County Educational Service Center serves as fiscal agent. Sixty days prior notice is necessary for withdrawal from the UPC. The Board exercises total control over the operations of UPC including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from the Hamilton County Educational Service Center at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

**Southern Hills Joint Vocational School District**

The Southern Hills Joint Vocational School District is a distinct political subdivision of the State of Ohio, operated under the direction of a seven-member Board of Education. The Board of Education is not directly elected. It is comprised of elected board members of participating school districts who, by charter, also serve as board members of the Southern Hills Joint Vocational School District. A board member is appointed by each local Board of Education within the Southern Hills Joint Vocational School District, including Western Brown Local School District. The Board exercises total control over the operations of Southern Hills Joint Vocational School District including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. To obtain financial information, write to the Southern Hills Joint Vocational School District at 9193 Hamer Road, Georgetown, Ohio 45121.

**NOTE 18 - PUBLIC ENTITY SHARED RISK POOL**

**Brown County Schools Benefits Consortium**

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg-Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district's claims

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For the Fiscal Year Ended June 30, 2019*

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are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 9231 Hamer Rd., Georgetown, Ohio 45121.

**NOTE 19 - INSURANCE PURCHASING POOL**

**Ohio SchoolComp Workers' Compensation Group Rating Plan**

The School District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the GRP. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

**NOTE 20 - SET-ASIDE CALCULATIONS**

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

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

	<u>Capital Acquisition</u>
Set-aside Balance as of June 30, 2018	\$0
Current Fiscal Year Set-aside Requirement	562,691
Qualifying Disbursements	<u>(562,691)</u>
Set-aside Balance as of June 30, 2019	<u><u>\$0</u></u>

Amounts of offsets and qualifying disbursements presented in the table for capital acquisitions were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

**Western Brown Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2019

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**NOTE 21 – SIGNIFICANT COMMITMENTS**

**Encumbrances**

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

General Fund	\$490,758
Nonmajor Governmental Funds	88,409
Total	\$579,167

**NOTE 22 – FUND BALANCES**

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

Fund Balances	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<b><i>Nonspendable:</i></b>				
Prepays	\$44,621	\$0	\$0	\$44,621
Inventory	0	0	3,775	3,775
<b><i>Total Nonspendable</i></b>	<b>44,621</b>	<b>0</b>	<b>3,775</b>	<b>48,396</b>
 <b><i>Restricted for:</i></b>				
Debt Payment	0	2,718,816	0	2,718,816
Classroom Facilities	0	0	2,032,254	2,032,254
District Managed Activities	0	0	187,500	187,500
Miscellaneous Grants	0	0	44,000	44,000
Scholarships	0	0	39,235	39,235
Student Managed Activities	0	0	142,079	142,079
<b><i>Total Restricted</i></b>	<b>0</b>	<b>2,718,816</b>	<b>2,445,068</b>	<b>5,163,884</b>
 <b><i>Committed to:</i></b>				
Board Approved Purchases	\$330,129	\$0	\$0	\$330,129

*(continued)*

**Western Brown Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2019

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Fund Balances	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<i>Assigned to:</i>				
Purchases on Order	\$139,749	\$0	\$0	\$139,749
Future Appropriations	364,022	0	0	364,022
<i>Total Assigned</i>	<u>503,771</u>	<u>0</u>	<u>0</u>	<u>503,771</u>
 <i>Unassigned (Deficit):</i>	 17,383,062	 0	 (167,402)	 17,215,660
<i>Total Fund Balances</i>	<u>\$18,261,583</u>	<u>\$2,718,816</u>	<u>\$2,281,441</u>	<u>\$23,261,840</u>

**NOTE 23 – CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

**School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**Litigation**

The School District is party to legal proceedings. However, no liability has been accrued since the ultimate disposition of these claims and legal proceedings has yet to be determined and the amount of liability, if any, is not measurable.

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**Western Brown Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Six Fiscal Years (1)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net Pension Liability	0.11572450%	0.12159580%	0.11549030%
School District's Proportionate Share of the Net Pension Liability	\$6,627,757	\$7,265,081	\$8,452,823
School District's Covered Payroll	\$3,862,126	\$4,095,836	\$3,238,014
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.61%	177.38%	261.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.11069680%	0.11289400%	0.11289400%
\$6,316,463	\$5,713,501	\$6,713,444
\$3,346,921	\$3,280,473	\$2,959,458
188.72%	174.17%	226.85%
69.16%	71.70%	65.52%

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.11701270%	0.12300960%	0.11652050%
School District's Proportionate Share of the Net OPEB Liability	\$3,246,248	\$3,301,255	\$3,321,265
School District's Covered Payroll	\$3,862,126	\$4,095,836	\$3,238,014
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.05%	80.60%	102.57%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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**Western Brown Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Teachers Retirement System of Ohio*  
*Last Six Fiscal Years (1)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net Pension Liability	0.10956611%	0.11002868%	0.10762550%
School District's Proportionate Share of the Net Pension Liability	\$24,091,128	\$26,137,549	\$36,025,499
School District's Covered Payroll	\$12,500,343	\$12,004,621	\$13,230,543
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	192.72%	217.73%	272.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.10587137%	0.10757315%	0.10757315%
\$29,259,751	\$26,165,514	\$31,168,188
\$10,966,657	\$11,338,085	\$11,352,200
266.81%	230.78%	274.56%
72.10%	74.70%	69.30%

**Western Brown Local School District**  
**Required Supplementary Information**  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)*  
*School Teachers Retirement System of Ohio*  
*Last Three Fiscal Years (1)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability (Asset)	0.10956611%	0.11002868%	0.10762550%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,760,616)	\$4,292,913	\$5,755,840
School District's Covered Payroll	\$12,500,343	\$12,004,621	\$13,230,543
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	(14.08%)	35.76%	43.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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**Western Brown Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$502,143	\$521,387	\$573,417	\$453,322
Contributions in Relation to the Contractually Required Contribution	<u>(502,143)</u>	<u>(521,387)</u>	<u>(573,417)</u>	<u>(453,322)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,719,578	\$3,862,126	\$4,095,836	\$3,238,014
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	76,075	80,795	65,276	0
Contributions in Relation to the Contractually Required Contribution	<u>(76,075)</u>	<u>(80,795)</u>	<u>(65,276)</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.05%</u>	<u>2.09%</u>	<u>1.59%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.55%</u>	<u>15.59%</u>	<u>15.59%</u>	<u>14.00%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$441,124	\$454,674	\$409,589	\$416,926	\$687,609	\$591,787
<u>(441,124)</u>	<u>(454,674)</u>	<u>(409,589)</u>	<u>(416,926)</u>	<u>(687,609)</u>	<u>(591,787)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,346,921	\$3,280,473	\$2,959,458	\$3,099,819	\$5,470,237	\$4,370,657
<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>
27,445	4,593	4,735	17,049	78,224	20,105
<u>(27,445)</u>	<u>(4,593)</u>	<u>(4,735)</u>	<u>(17,049)</u>	<u>(78,224)</u>	<u>(20,105)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.82%</u>	<u>0.14%</u>	<u>0.16%</u>	<u>0.55%</u>	<u>1.43%</u>	<u>0.46%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

**Western Brown Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$1,858,884	\$1,750,048	\$1,680,647	\$1,852,276
Contributions in Relation to the Contractually Required Contribution	<u>(1,858,884)</u>	<u>(1,750,048)</u>	<u>(1,680,647)</u>	<u>(1,852,276)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$13,277,743	\$12,500,343	\$12,004,621	\$13,230,543
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) Includes information for Miscellaneous Local School.

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>
\$1,535,332	\$1,473,951	\$1,475,786	\$1,563,006	\$1,610,952	\$1,569,632
<u>(1,535,332)</u>	<u>(1,473,951)</u>	<u>(1,475,786)</u>	<u>(1,563,006)</u>	<u>(1,610,952)</u>	<u>(1,569,632)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,966,657	\$11,338,085	\$11,352,200	\$12,023,123	\$12,391,938	\$12,074,092
<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$113,381	\$113,522	\$120,231	\$123,919	\$120,741
<u>0</u>	<u>(113,381)</u>	<u>(113,522)</u>	<u>(120,231)</u>	<u>(123,919)</u>	<u>(120,741)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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**Western Brown Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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**NET PENSION LIABILITY**

**Changes in Assumptions – SERS**

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

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

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

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

**Changes in Assumptions - STRS**

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

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

**Western Brown Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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

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

**NET OPEB LIABILITY**

**Changes in Assumptions – SERS**

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

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

**Changes in Assumptions – STRS**

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

**Western Brown Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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

**Changes in Benefit Terms – STRS OPEB**

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

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

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**WESTERN BROWN LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Revenue</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Children Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	3L60	102,257	102,257
Cash Assistance:				
National School Breakfast Program	10.553	3L70	326,934	326,934
National School Lunch Program	10.555	3L60	597,378	597,378
Total U.S. Department of Agriculture - Total Child Nutrition Cluster			<u>1,026,569</u>	<u>1,026,569</u>
<b>U.S. DEPARTMENT OF DEFENSE (ARMY)</b>				
<i>Direct Program</i>				
National Guard Civilian Youth Opportunities	12.404	N/A	59,962	59,962
Total Department of Defense (Army)			<u>59,962</u>	<u>59,962</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Preschool Grants- 6B Restoration	84.173	3C50 - 2019	2,032	2,935
Special Education Grants to States - 6B Restoration	84.027	3M20 - 2019	10,945	22,466
Special Education Grants to States	84.027	3M20 - 2018	97,778	75,826
Special Education Grants to States	84.027	3M20 - 2019	502,663	556,620
Total Special Education Grants to States			<u>611,386</u>	<u>654,912</u>
Total Special Education Grants to State Cluster			613,418	657,847
Title I Grants to Local Education Agencies	84.010	3M00 - 2018	142,798	123,216
Title I Grants to Local Education Agencies	84.010	3M00 - 2019	512,146	575,859
Total Title I Grants to Local Educational Agencies			<u>654,944</u>	<u>699,075</u>
Supporting Effective Instruction State Grants	84.367	3Y60 - 2018	24,748	17,131
Supporting Effective Instruction State Grants	84.367	3Y60 - 2019	100,586	117,352
Total Supporting Effective Instruction State Grants			<u>125,334</u>	<u>134,483</u>
Title IV-A Student Support and Academic Enrichment	84.424	3H10-2018	751	\$0
Title IV-A Student Support and Academic Enrichment	84.424	3H10-2019	25,804	43,197
Total Title IV-A Student Support and Academic Enrichment			<u>26,555</u>	<u>43,197</u>
Small, Rural School Achievement Program	84.358	3Y80-2019	53,139	59,049
Total Small, Rural School Achievement Program			<u>53,139</u>	<u>59,049</u>
Striving Readers Comprehensive Grant	84.371	3FE0-2018	3,661	3,661
Striving Readers Comprehensive Grant	84.371	3FE0-2019	39,029	42,515
Total Striving Readers Comprehensive Grant			<u>42,690</u>	<u>46,176</u>
Total U.S. Department of Education			<u>1,516,080</u>	<u>1,639,827</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>2,602,611</u></u>	<u><u>2,726,358</u></u>

*The accompanying notes are an integral part of this schedule.*

**WESTERN BROWN LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Western Brown Local School District, Brown County, Ohio (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

**NOTE F - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

Western Brown Local School District  
Brown County  
524 West Main Street  
Mt. Orab, Ohio 45154

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 Western Brown Local School District, Brown 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 February 20, 2020, wherein we noted the District implemented *Governmental Accounting Standards Board (GASB) Statement No. 84 Fiduciary Activities* and reclassified the Food Service Fund to be presented as a Governmental Fund rather than an Enterprise Fund.

***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 opinions 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

February 20, 2020

# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Western Brown Local School District  
Brown County  
524 West Main Street  
Mt Orab, Ohio 45154

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Western Brown Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, Western Brown Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

February 20, 2020

**WESTERN BROWN LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# OHIO AUDITOR OF STATE KEITH FABER



**WESTERN BROWN LOCAL SCHOOL DISTRICT**

**BROWN COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 19, 2020**