



OHIO AUDITOR OF STATE  
**KEITH FABER**





**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2018**

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**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Brookville Local School District  
Montgomery County  
75 June Place  
Brookville, Ohio 45309

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookville Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookville Local School District, Montgomery County, Ohio, as of June 30, 2018, and the respective changes in financial position 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 18 to the financial statements, during fiscal year 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Receipts and 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 28, 2019, 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 28, 2019

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**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
(Unaudited)

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

### **Financial Highlights**

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased \$8,137,797 which represents a 227% increase from 2017.
- General revenues accounted for \$15,169,474 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,471,138 or 14% of total revenues of \$17,640,612.
- The District had \$9,502,815 in expenses related to governmental activities; \$2,471,138 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$15,169,474 were also used to provide for these programs.

### **Overview of the Financial Statements**

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General and Debt Service Funds are the major funds of the District.

### **Government-wide Financial Statements**

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

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

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These two statements report the District's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District presents:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

**The District as a Whole**

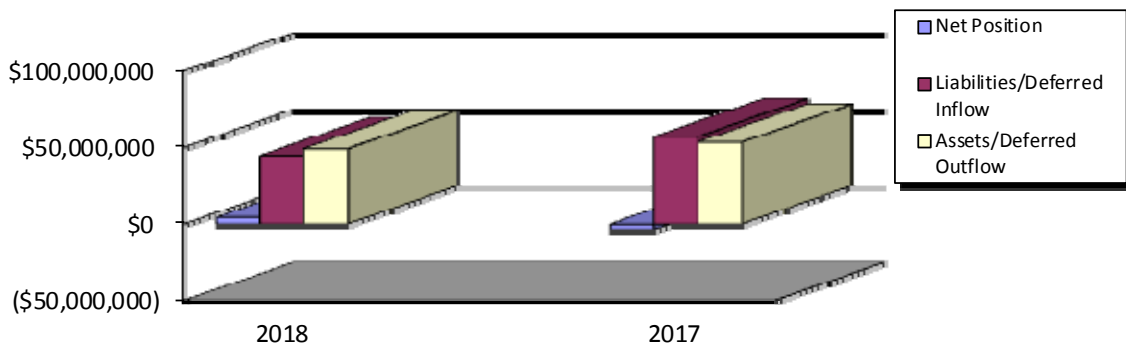
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017:

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**Brookville Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

**Table 1  
Net Position**

	Governmental Activities	
	2018	2017-Restated
Assets:		
Current and Other Assets	\$17,412,493	\$21,046,317
Capital Assets	26,439,408	27,552,059
Total Assets	<u>43,851,901</u>	<u>48,598,376</u>
Deferred Outflows of Resources:		
Deferred Charge on Refunding	178,878	428,906
OPEB	167,556	33,920
Pension	5,089,195	4,453,535
Total Deferred Outflows of Resources	<u>5,435,629</u>	<u>4,916,361</u>
Liabilities:		
Other Liabilities	1,555,916	1,489,117
Long-Term Liabilities	34,712,757	48,619,769
Total Liabilities	<u>36,268,673</u>	<u>50,108,886</u>
Deferred Inflows of Resources:		
Property Taxes	6,963,205	6,858,580
OPEB	516,889	0
Pension	991,176	137,481
Total Deferred Inflows of Resources	<u>8,471,270</u>	<u>6,996,061</u>
Net Position:		
Net Investment in Capital Assets	14,457,218	10,327,320
Restricted	1,258,116	6,137,829
Unrestricted	<u>(11,167,747)</u>	<u>(20,055,359)</u>
Total Net Position	<u>\$4,547,587</u>	<u>(\$3,590,210)</u>



**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
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**(Unaudited)**

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

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

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

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

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

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

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$1,251,235 to (\$3,590,210).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,547,587.

At year-end, capital assets represented 60% of total assets. Capital assets include land, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2018, were \$14,457,218. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,258,116, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased from 2017 to 2018 because of current year depreciation being greater than current year additions. Long term liabilities decreased from 2017 to 2018 due to the decrease in Net Pension Liability.

Table 2 shows the changes in net position for fiscal years 2018 and 2017.

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**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
(Unaudited)

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues		
Charges for Services	\$1,099,792	\$1,125,644
Operating Grants and Contributions	1,361,346	1,297,999
Capital Grants and Contributions	10,000	10,000
General Revenues:		
Property Taxes	7,822,628	7,667,265
Grants and Entitlements not Restricted	6,879,914	6,746,799
Other	466,932	490,787
Total Revenues	<u>17,640,612</u>	<u>17,338,494</u>
Program Expenses:		
Instruction	4,890,435	9,296,963
Support Services:		
Pupil and Instructional Staff	1,321,366	1,836,480
School Administration, General		
Administration, and Fiscal	515,743	1,643,076
Operations and Maintenance	860,266	1,319,752
Pupil Transportation	277,718	795,355
Central	69,773	62,600
Operation of Non-Instructional Services	603,927	844,961
Extracurricular Activities	430,625	656,993
Interest and Fiscal Charges	532,962	1,084,301
Total Program Expenses	<u>9,502,815</u>	<u>17,540,481</u>
Change in Net Position	8,137,797	(201,987)
Beginning Net Position, 2017-Restated	<u>(3,590,210)</u>	<u>N/A</u>
Ending Net Position	<u><u>\$4,547,587</u></u>	<u><u>(\$3,590,210)</u></u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$33,920 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$598,104. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
(Unaudited)

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Total 2018 operating expenses under GASB 75	\$9,502,815
Negative OPEB expense under GASB 75	598,104
2018 contractually required contribution	40,762
Adjusted 2018 operating expenses	10,141,681
Total 2017 operating expenses under GASB 45	17,540,481
Change in operating expenses not related to OPEB	(\$7,398,800)

**Governmental Activities**

The District revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes, and grants and entitlements comprised 83% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

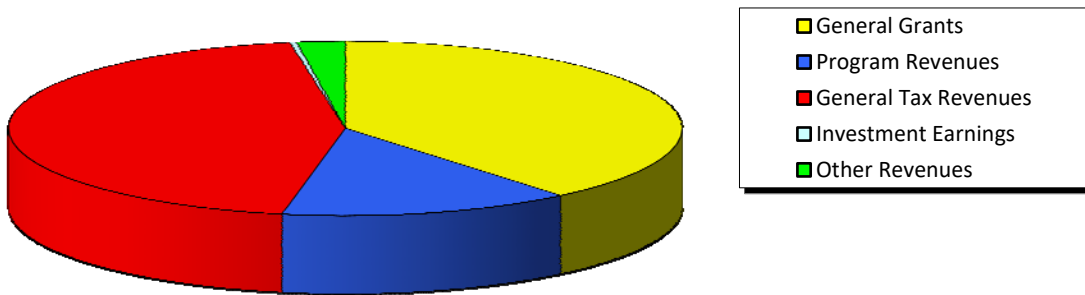
Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 44% of revenue for governmental activities for the District in fiscal year 2018.

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**Brookville Local School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
(Unaudited)

**Governmental Activities**  
**Revenue Sources**

Revenue Sources	2018	Percentage
General Grants	\$6,879,914	39.0%
Program Revenues	2,471,138	14.0%
General Tax Revenues	7,822,628	44.4%
Investment Earnings	56,604	0.3%
Other Revenues	410,328	2.3%
<b>Total Revenue Sources</b>	<b>\$17,640,612</b>	<b>100.0%</b>



Instruction comprises 52% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other expenses including interest and fiscal charges were 16%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total revenues increased mostly due to an increase in property tax monies and grant monies received by the District in 2018 compared to 2017. Total expenses decreased due changes related to net pension liability and other post employment benefits liability.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

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**Brookville Local School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
(Unaudited)

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$4,890,435	\$9,296,963	(\$3,465,033)	(\$8,059,811)
Support Services:				
Pupil and Instructional Staff	1,321,366	1,836,480	(1,209,758)	(1,680,023)
School Administration, General				
Administration, and Fiscal	515,743	1,643,076	(515,743)	(1,643,076)
Operations and Maintenance	860,266	1,319,752	(855,967)	(1,319,752)
Pupil Transportation	277,718	795,355	(265,370)	(687,406)
Central	69,773	62,600	(64,373)	(57,200)
Operation of Non-Instructional Services	603,927	844,961	(3,038)	(218,438)
Extracurricular Activities	430,625	656,993	(119,433)	(356,831)
Interest and Fiscal Charges	532,962	1,084,301	(532,962)	(1,084,301)
Total Expenses	<u>\$9,502,815</u>	<u>\$17,540,481</u>	<u>(\$7,031,677)</u>	<u>(\$15,106,838)</u>

**The District’s Funds**

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general fund comprised \$14,659,948 (84%), the debt service fund comprised \$2,096,500 (12%) of the total \$17,458,169 governmental funds’ assets.

**General Fund:** Fund balance at June 30, 2018 was \$7,459,022, an increase in fund balance of \$1,172,483 from 2017. The increase in fund balance is mainly due to an increase in property tax and intergovernmental revenues received from 2017 to 2018.

**Debt Service Fund:** Fund balance at June 30, 2018 was \$766,549, a decrease in fund balance of \$4,681,503 from 2017. The decrease in fund balance is mainly due an increase in bond principal payments for the fiscal year.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2018, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$14,370,053, compared to final budget estimates of \$13,986,918. The difference between the original budget basis and final budget was \$383,135, which was mostly due to overestimating taxes and intergovernmental revenues. The District’s ending unobligated cash balance was \$8,165,468.

**Brookville Local School District, Ohio  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited)**

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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the District had \$26,439,408 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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

---

	Governmental Activities	
	2018	2017
Land	\$935,308	\$935,308
Buildings and Improvements	24,492,288	25,486,384
Equipment	1,011,812	1,130,367
Total Net Capital Assets	<u>\$26,439,408</u>	<u>\$27,552,059</u>

Overall, Net Capital Assets decreased mainly due to current year depreciation being greater than current year additions.

See Note 5 to the basic financial statements for further details on the District’s capital assets.

***Debt***

At June 30, 2018, the District had \$12,897,400 in debt outstanding, \$375,488 due within one year. Table 5 summarizes debt outstanding.

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**Brookville Local School District, Ohio**  
**Management’s Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
(Unaudited)

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2018	2017
General Obligation Bonds:		
2018 Refunding Bonds:	\$10,965,000	\$0
Premium on Refunding Bonds	856,417	0
2006 School Improvement Refunding Bonds:		
Current Interest	0	16,740,000
Capital Appreciation Bonds - Principal	186,962	347,631
Capital Appreciation Bonds - Interest	736,332	1,145,571
Premium on Refunding Bonds	0	566,014
General Obligation Loan-Capital Improvements	152,689	200,000
Total Bonds and Loans	<u>\$12,897,400</u>	<u>\$18,999,216</u>

See Note 8 to the basic financial statements for further details on the District’s long-term obligations.

**For the Future**

The Ohio Department of Education explains the school funding model in Ohio as follows:

Payments to city, local and exempted village school districts are calculated from data reported by the district, such as the number of students enrolled in the district, and are made twice each month according to a schedule published each spring. Since the data are updated throughout the year, the annual amount due to the district is calculated for each payment and the district receives approximately 1/24th of the annual amount.

Fiscal year 2017, the state of Ohio spent more on primary and secondary education than at any other time in state history. FY17 State General Revenue Fund and Lottery Profit spending for primary and secondary education exceeded FY10 funding levels by nearly \$1.9 billion, or 27.5 percent. Even including one-time, federal stimulus funding, TPP/KwH reimbursements, and property tax relief, FY17 funding levels exceeded FY10 funding levels by \$775.3 million, or 8.1. percent.

The current biennial budget for FY18 and FY19 continues this record investment. Resources allocated primary and secondary education total \$10.48 billion in FY18 and \$10.59 billion in FY19; increasing \$197.3 million during the biennium. The GRF portion of these appropriations is \$7.99 billion in FY18 and \$8.12 billion in FY19, representing growth of \$115.1 million, or 1.5%, in FY18, and another \$128.7 million, or 1.6%, in FY19. Lottery appropriations equal slightly more than \$1.1 billion in both fiscal years. State education appropriations represent the largest commitment of state appropriations.

It is important to note that the changes proposed are recommendations, not official changes to law. The Ohio General Assembly has not acted on these recommendations.

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

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This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Brookville Local School District, 75 June Place, Brookville, Ohio 45309.

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Brookville Local School District, Ohio  
Statement of Net Position  
June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$9,757,910
Receivables (Net):	
Taxes	7,481,507
Accounts	23,411
Interest	18,250
Intergovernmental	61,089
Prepays	1,186
Inventory	69,140
Nondepreciable Capital Assets	935,308
Depreciable Capital Assets, Net	<u>25,504,100</u>
 Total Assets	 <u>43,851,901</u>
Deferred Outflows of Resources:	
Deferred Charge on Refunding	178,878
Pension	5,089,195
OPEB	<u>167,556</u>
 Total Deferred Outflows of Resources	 <u>5,435,629</u>
Liabilities:	
Accounts Payable	13,469
Accrued Wages and Benefits	1,482,469
Accrued Interest Payable	59,978
Long-Term Liabilities:	
Due Within One Year	404,175
Due In More Than One Year:	
Net Pension Liability	17,004,557
Net OPEB Liability	3,853,245
Other Amounts	<u>13,450,780</u>
 Total Liabilities	 <u>36,268,673</u>
Deferred Inflows of Resources:	
Property Taxes	6,963,205
Pension	991,176
OPEB	<u>516,889</u>
 Total Deferred Inflows of Resources	 <u>8,471,270</u>
Net Position:	
Net Investment in Capital Assets	14,457,218
Restricted for:	
Debt Service	743,562
Capital Projects	54,078
Food Service	243,098
Classroom Facilities Maintenance	137,351
Federal Grants	5,164
Extracurricular	74,863
Unrestricted	<u>(11,167,747)</u>
 Total Net Position	 <u><u>\$4,547,587</u></u>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	and Changes in Net Position Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$3,902,296	\$411,009	\$26,808	\$0	(\$3,464,479)
Special	861,337	16,215	956,032	0	110,910
Vocational	88,484	0	15,338	0	(73,146)
Other	38,318	0	0	0	(38,318)
<b>Support Services:</b>					
Pupil	817,145	0	66,197	0	(750,948)
Instructional Staff	504,221	0	45,411	0	(458,810)
General Administration	17,681	0	0	0	(17,681)
School Administration	314,708	0	0	0	(314,708)
Fiscal	183,354	0	0	0	(183,354)
Operations and Maintenance	860,266	0	4,299	0	(855,967)
Pupil Transportation	277,718	0	12,348	0	(265,370)
Central	69,773	0	5,400	0	(64,373)
Operation of Non-Instructional Services	603,927	374,676	226,213	0	(3,038)
Extracurricular Activities	430,625	297,892	3,300	10,000	(119,433)
Interest and Fiscal Charges	532,962	0	0	0	(532,962)
<b>Total Governmental Activities</b>	<b>9,502,815</b>	<b>1,099,792</b>	<b>1,361,346</b>	<b>10,000</b>	<b>(7,031,677)</b>
<b>General Revenues:</b>					
Property Taxes Levied for:					
					6,371,325
					1,414,591
					36,712
					6,879,914
					203,272
					37,065
					56,604
					169,991
<b>Total General Revenues</b>					<b>15,169,474</b>
<b>Change in Net Position</b>					<b>8,137,797</b>
<b>Net Position - Beginning of Year, Restated</b>					<b>(3,590,210)</b>
<b>Net Position - End of Year</b>					<b>\$4,547,587</b>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$8,472,978	\$706,295	\$578,637	\$9,757,910
<b>Receivables (Net):</b>				
Taxes	6,056,300	1,390,205	35,002	7,481,507
Accounts	22,138	0	1,273	23,411
Interest	0	0	18,250	18,250
Intergovernmental	0	0	61,089	61,089
Interfund	45,676	0	0	45,676
Prepays	1,121	0	65	1,186
Inventory	61,735	0	7,405	69,140
<b>Total Assets</b>	<b>14,659,948</b>	<b>2,096,500</b>	<b>701,721</b>	<b>17,458,169</b>
<b>Liabilities:</b>				
Accounts Payable	1,007	0	12,462	13,469
Accrued Wages and Benefits	1,390,354	0	92,115	1,482,469
Compensated Absences	7,888	0	0	7,888
Interfund Payable	0	0	45,676	45,676
<b>Total Liabilities</b>	<b>1,399,249</b>	<b>0</b>	<b>150,253</b>	<b>1,549,502</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	5,801,677	1,329,951	33,625	7,165,253
Grants and Other Taxes	0	0	61,089	61,089
Investment Earnings	0	0	9,830	9,830
<b>Total Deferred Inflows of Resources</b>	<b>5,801,677</b>	<b>1,329,951</b>	<b>104,544</b>	<b>7,236,172</b>
<b>Fund Balances:</b>				
Nonspendable	62,856	0	65	62,921
Restricted	0	766,549	519,122	1,285,671
Assigned	240,647	0	0	240,647
Unassigned	7,155,519	0	(72,263)	7,083,256
<b>Total Fund Balances</b>	<b>7,459,022</b>	<b>766,549</b>	<b>446,924</b>	<b>8,672,495</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$14,659,948</b>	<b>\$2,096,500</b>	<b>\$701,721</b>	<b>\$17,458,169</b>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2018

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Total Governmental Fund Balance		\$8,672,495
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.		
Capital assets used in the operation of Governmental Funds		26,439,408
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	202,048	
Investment Earnings	9,830	
Intergovernmental	61,089	
		<u>272,967</u>
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(59,978)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(949,667)
Deferred outflow of resources associated with long-term liabilities are not reported in the funds.		
		178,878
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	5,089,195	
Deferred inflows of resources related to pensions	(991,176)	
Deferred outflows of resources related to OPEB	167,556	
Deferred inflows of resources related to OPEB	(516,889)	
		<u>3,748,686</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(17,004,557)	
Net OPEB Liability	(3,853,245)	
Other Amounts	(12,897,400)	
		<u>(33,755,202)</u>
Net Position of Governmental Activities		<u>\$4,547,587</u>

See accompanying notes to the basic financial statements.



Brookville Local School District, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2018

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Taxes	\$6,386,213	\$1,413,851	\$37,025	\$7,837,089
Tuition and Fees	324,823	0	0	324,823
Investment Earnings	37,625	0	10,062	47,687
Intergovernmental	7,257,419	250,597	761,241	8,269,257
Extracurricular Activities	142,976	0	181,705	324,681
Charges for Services	63,648	0	374,676	438,324
Revenue in Lieu of Taxes	203,272	0	0	203,272
Other Revenues	140,920	0	53,507	194,427
<b>Total Revenues</b>	<b>14,556,896</b>	<b>1,664,448</b>	<b>1,418,216</b>	<b>17,639,560</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	5,824,535	0	72,773	5,897,308
Special	1,459,416	0	404,576	1,863,992
Vocational	193,708	0	0	193,708
Other	46,219	0	0	46,219
<b>Support Services:</b>				
Pupil	1,185,435	0	72,756	1,258,191
Instructional Staff	668,295	0	102,463	770,758
General Administration	23,608	0	0	23,608
School Administration	1,360,518	0	0	1,360,518
Fiscal	241,345	16,611	417	258,373
Operations and Maintenance	1,059,050	0	158,835	1,217,885
Pupil Transportation	615,986	0	0	615,986
Central	64,373	0	5,400	69,773
Operation of Non-Instructional Services	183,607	0	569,077	752,684
Extracurricular Activities	428,164	0	222,230	650,394
Capital Outlay	0	0	32,934	32,934
<b>Debt Service:</b>				
Principal Retirement	0	5,516,246	47,311	5,563,557
Interest and Fiscal Charges	0	813,094	7,384	820,478
Bond Issuance Costs	0	121,008	0	121,008
<b>Total Expenditures</b>	<b>13,354,259</b>	<b>6,466,959</b>	<b>1,696,156</b>	<b>21,517,374</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,202,637</b>	<b>(4,802,511)</b>	<b>(277,940)</b>	<b>(3,877,814)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	6,460	0	0	6,460
Issuance of Refunding Bonds	0	10,965,000	0	10,965,000
Payments to Refunded Bond Escrow Account	0	(11,700,409)	0	(11,700,409)
Premium on Bonds Sold	0	856,417	0	856,417
Transfers In	3,386	0	136,148	139,534
Transfers (Out)	(40,000)	0	(99,534)	(139,534)
<b>Total Other Financing Sources (Uses)</b>	<b>(30,154)</b>	<b>121,008</b>	<b>36,614</b>	<b>127,468</b>
<b>Net Change in Fund Balance</b>	<b>1,172,483</b>	<b>(4,681,503)</b>	<b>(241,326)</b>	<b>(3,750,346)</b>
<b>Fund Balance - Beginning of Year</b>	<b>6,286,539</b>	<b>5,448,052</b>	<b>688,250</b>	<b>12,422,841</b>
<b>Fund Balance - End of Year</b>	<b>\$7,459,022</b>	<b>\$766,549</b>	<b>\$446,924</b>	<b>\$8,672,495</b>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds (\$3,750,346)

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	83,462	
Depreciation Expense	<u>(1,191,886)</u>	(1,108,424)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.

(4,227)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension and OPEB expense.

District pension contributions for pension	1,169,442	
Cost of benefits earned net of employee contributions for pension	5,409,784	
District pension contributions for OPEB	40,762	
Cost of benefits earned net of employee contributions for OPEB	<u>598,104</u>	7,218,092

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

Delinquent Property Taxes	(14,461)	
Investment Earnings	8,917	
Intergovernmental	<u>6,596</u>	1,052

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Bonds Refunded	11,521,531	
Refunding Bonds	(10,965,000)	
Deferred Charge on Refunding	178,878	
Premium on Bond Refunding	<u>(856,417)</u>	(121,008)

Repayment of bond principal and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

6,142,888

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.

(715)

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

Compensated Absences	(69,423)	
Bond Accretion	<u>(170,092)</u>	(239,515)

Change in Net Position of Governmental Activities \$8,137,797

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018

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	Private Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	\$30,078	\$94,760
Total Assets	<u>30,078</u>	<u>94,760</u>
Liabilities:		
Other Liabilities	0	94,760
Total Liabilities	<u>0</u>	<u>\$94,760</u>
Net Position:		
Held in Trust	<u>30,078</u>	
Total Net Position	<u>\$30,078</u>	

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2018

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	Private Purpose Trust Fund
Additions:	
Donations	\$600
Investment Earnings	96
Total Additions	<u>696</u>
Deductions:	
Scholarships	<u>905</u>
Total Deductions	<u>905</u>
Change in Net Position	(209)
Net Position - Beginning of Year	<u>30,287</u>
Net Position - End of Year	<u><u>\$30,078</u></u>

See accompanying notes to the basic financial statements.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**Note 1 - Summary of Significant Accounting Policies**

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**Reporting Entity**

Brookville Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 70 noncertified and approximately 99 certified teaching personnel and administrative employees providing education to 1,548 students.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation, and care and upkeep of grounds and buildings.

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

The District participates in one insurance purchasing pool and four jointly governed organizations. These organizations are discussed in Note 12 and Note 13 to the basic financial statements. These organizations are:

**Insurance Purchasing Pool:**

- Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

**Jointly Governed Organizations:**

- Southwestern Ohio Instructional Technology Association
- Southwestern Ohio Educational Purchasing Council
- Metropolitan Educational Technology Association
- Shared Resources Center Regional Council of Governments

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The difference between governmental fund assets and deferred outflows, and liabilities and deferred inflows is reported as fund balance. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

Debt Service Fund - This fund is used for the accumulation of resources for the payment, of general long-term debt principal and interest.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own program. The District's two trust funds are private-purpose trust that account for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation. This fund accounts for student-managed activities.

**Basis of Presentation-Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Private-purpose trust funds are reported using the economic resources measurement focus.

**Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, and student fees.

Current property taxes measurable at June 30, 2018, and which are not intended to finance fiscal year 2018 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows of resources.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**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. The deferred outflows of resources related to a deferred charge on refunding, pension, and OPEB are reported on the governmental-wide statement of net position. For more pension, and OPEB related information, see Notes 6 and 7.

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 as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB, grants, and investment earnings. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and investment earnings are recorded as deferred inflows only on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 6 and 7.

**Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to \$37,625 and \$10,062 in Other Governmental Funds.



**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of food held for resale and consumable supplies.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and expenditure/expense is reported in the year in which services are consumed.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

**Property, Plant and Equipment - Governmental Activities**

These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$500.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined at June 30, 2018 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

**Depreciation**

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Buildings and Improvements	20 - 40
Equipment	5 - 20

**Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds and Loans, and Refunding Bonds	Debt Service & Nonmajor Governmental Funds
Compensated Absences	General & Nonmajor Governmental Funds

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**Compensated Absences**

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 294 days for certified and 303 days for classified. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 73 ½ days. The portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the general fund. In the government wide statement of net position, Compensated Absences Payable is recorded within the Due within one year account and the long-term portion of the liability is recorded within the Due in more than one year account.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the District's restricted net position of \$1,258,116, none was restricted by enabling legislation.

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

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

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

**Interfund Activity**

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The 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.

**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 2 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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Inactive Monies – Those monies not required for use within the current five year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
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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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement 40, "Deposit and Investment Risk Disclosures".

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, \$4,973,595 of the District's bank balance of \$5,264,696 was exposed to custodial credit risk because it was uninsured and collateralized.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

**Investments**

As of June 30, 2018, the District had the following investments:

	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable CD's	\$2,243,302	Level 2	1.24
Federal Home Loan Mortgage Corporation	996,640	Level 2	4.35
Federal National Mortgage Association	987,980	Level 2	3.08
Money Market Fund	660,995	N/A	
Total Fair Value	<u>\$4,888,917</u>		
Portfolio Weighted Average Maturity			2.08

The District categorized 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 table identifies the District's recurring fair value measurements as of June 30, 2018. All investments of the District are valued using methodologies that incorporate market

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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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 (Level 2 inputs).

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service, Money Market Funds and Negotiable CDs were not rated.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District’s total investments, 46% in Negotiable CDs, 20% in Federal Home Loan Mortgage Corporation, 20% in Federal National Mortgage Association and 14% in Money Market Fund.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District. The District’s investment policy does not address this risk for investments.

**Note 3 – Property Taxes**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; 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. The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2019 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2018. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for the portion not intended to finance current fiscal year operations. On an accrual basis,

**Brookville Local School District, Ohio**  
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collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values, upon which the fiscal year 2018 receipts were based, were as follows:

<u>2017 Second Half Collections</u>		<u>2018 First Half Collections</u>	
Agricultural/Residential and Other Real Estate	\$187,017,890	Agricultural/Residential and Other Real Estate	\$197,610,310
Public Utility Personal	5,691,800	Public Utility Personal	5,880,480
Total Assessed Value	<u>\$192,709,690</u>	Total Assessed Value	<u>\$203,490,790</u>
	\$69.03		\$74.23

**Note 4 – Receivables**

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Receivables at June 30, 2018 consisted of accounts, taxes, interest, intergovernmental, and interfund.

**Note 5 - Capital Assets**

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**Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$935,308	\$0	\$0	\$935,308
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	38,664,274	3,445	264,335	38,403,384
Equipment	6,072,446	80,017	94,694	6,057,769
Totals at Historical Cost	<u>45,672,028</u>	<u>83,462</u>	<u>359,029</u>	<u>45,396,461</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	13,177,890	997,541	264,335	13,911,096
Equipment	4,942,079	194,345	90,467	5,045,957
Total Accumulated Depreciation	<u>18,119,969</u>	<u>1,191,886</u>	<u>354,802</u>	<u>18,957,053</u>
Governmental Activities Capital Assets, Net	<u>\$27,552,059</u>	<u>(\$1,108,424)</u>	<u>\$4,227</u>	<u>\$26,439,408</u>

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**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$1,049,593
Special	815
Vocational	817
Support Services:	
Pupil	3,241
Instructional Staff	8,856
General Administration	138
School Administration	869
Fiscal	219
Operations and Maintenance	45,772
Pupil Transportation	8,007
Operation of Non-Instructional Services	38,108
Extracurricular Activities	35,451
Total Depreciation Expense	<u><u>\$1,191,886</u></u>

**Note 6 - Defined Benefit Pension Plans**

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**Net Pension Liability**

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

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

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

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



**Brookville Local School District, Ohio**  
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could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

Plan Description – 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 65 with 5 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 year of service; 2.20% for the first thirty years of service and 2.50% for years of service credit over 30 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA’s shall be suspended for calendar years 2018, 2019, and 2020.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the employer is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the

**Brookville Local School District, Ohio**  
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System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$260,214 for fiscal year 2018. Of this amount \$9,010 is reported as accrued wages and benefits.

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

Plan Description – Licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 10 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, 2018, plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$909,228 for fiscal year 2018. Of this amount \$153,716 is reported as accrued wages and benefits.

**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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the 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>
Proportionate Share of the Net Pension Liability	\$3,631,309	\$13,373,248	\$17,004,557
Proportion of the Net Pension Liability:			
Current Measurement Date	0.06077730%	0.05629605%	
Prior Measurement Date	<u>0.06258780%</u>	<u>0.05742228%</u>	
Change in Proportionate Share	-0.00181050%	-0.00112623%	
Pension Expense	(\$234,648)	(\$5,175,136)	(\$5,409,784)

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$156,279	\$516,412	\$672,691
Changes of assumptions	187,778	2,924,876	3,112,654
Changes in proportion and differences between District contributions and proportionate share of contributions	0	134,408	134,408
Contributions subsequent to the measurement date	260,214	909,228	1,169,442
<b>Total Deferred Outflows of Resources</b>	<b>\$604,271</b>	<b>\$4,484,924</b>	<b>\$5,089,195</b>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$107,783	\$107,783
Net difference between projected and actual earnings on pension plan investments	17,237	441,333	458,570
Changes in proportion and differences between District contributions and proportionate share of contributions	160,462	264,361	424,823
<b>Total Deferred Inflows of Resources</b>	<b>\$177,699</b>	<b>\$813,477</b>	<b>\$991,176</b>

\$1,169,442 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year			
Ending June 30:	SERS	STRS	Total
2019	\$52,710	\$581,565	\$634,275
2020	166,118	1,224,809	1,390,927
2021	32,183	722,222	754,405
2022	(84,653)	233,623	148,970
<b>Total</b>	<b>\$166,358</b>	<b>\$2,762,219</b>	<b>\$2,928,577</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, 2017, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

For 2017, mortality among disabled members was based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The 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 the SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US 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	100.00%	

**Brookville Local School District, Ohio**  
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**Discount Rate**

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

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Proportionate share of the net pension liability	\$5,039,314	\$3,631,309	\$2,451,819

**Changes in Benefit Terms**

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

**Actuarial Assumptions - STRS**

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

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	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date.

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

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

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

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

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

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. 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 the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net pension liability	\$19,170,095	\$13,373,248	\$8,490,272

**Changes in Assumptions**

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**Changes in Benefit Terms**

Effective July 1, 2017, the COLA was reduced to zero.



**Note 7 – Defined Benefit Other Postemployment Benefits (OPEB) Plans**

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**Net Other Postemployment Benefits (OPEB) Liability**

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

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

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

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

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

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

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-

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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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the surcharge obligation was \$31,125.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$40,762 for fiscal year 2018.

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,656,781	\$2,196,464	\$3,853,245
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.06173410%	0.05629605%	
Prior Measurement Date	0.06330429%	0.05742228%	
Change in Proportionate Share	<u>-0.00157019%</u>	<u>-0.00112623%</u>	
OPEB Expense	\$80,743	(\$678,847)	(\$598,104)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$126,794	\$126,794
Contributions subsequent to the measurement date	<u>40,762</u>	<u>0</u>	<u>40,762</u>
Total Deferred Outflows of Resources	<u>\$40,762</u>	<u>\$126,794</u>	<u>\$167,556</u>
Deferred Inflows of Resources			
Changes of assumptions	\$157,220	\$176,932	\$334,152
Net difference between projected and actual earnings on pension plan investments	4,375	93,882	98,257
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>32,853</u>	<u>51,627</u>	<u>84,480</u>
Total Deferred Inflows of Resources	<u>\$194,448</u>	<u>\$322,441</u>	<u>\$516,889</u>

\$40,762 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. 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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Fiscal Year Ending June 30:	SERS	STRS	Total
2019	(\$69,961)	(\$40,431)	(\$110,392)
2020	(69,961)	(40,431)	(110,392)
2021	(53,433)	(40,431)	(93,864)
2022	(1,093)	(40,431)	(41,524)
2023	0	(16,961)	(16,961)
Thereafter	0	(16,962)	(16,962)
Total	<u>(\$194,448)</u>	<u>(\$195,647)</u>	<u>(\$390,095)</u>

**Actuarial Assumptions - SERS**

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

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

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, 2017, are presented below:

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Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
Investment Rate of Return	7.50% net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56%
Prior Measurement Date	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.63%
Prior Measurement Date	2.98%
Medical Trend Assumption	
Medicare	5.50% to 5.00%
Pre-Medicare	7.50% to 5.00%

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

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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	100.00%	

**Discount Rate**

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

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates**

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Proportionate share of the net OPEB liability	\$2,000,774	\$1,656,781	\$1,384,251

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	1% Decrease (6.50% decreasing to 4.00%)	Current Trend Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
Proportionate share of the net OPEB liability	\$1,344,354	\$1,656,781	\$2,070,284

**Changes in Assumptions – SERS**

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

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 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Actuarial Assumptions - STRS**

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

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017
Blended Discount Rate of Return	4.13%
Health Care Cost Trends	6.00% to 11.00% initial, 4.5% ultimate

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

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

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

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Since the prior measurement date, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75% to 7.45%. 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.

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

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

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

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

**Discount Rate**

The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term



**Brookville Local School District, Ohio**  
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expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate**

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
Proportionate share of the net OPEB liability	\$2,948,718	\$2,196,464	\$1,601,938

	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$1,526,009	\$2,196,464	\$3,078,861

**Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75% to 7.45%. 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.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
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**Note 8 - Long-Term Debt and Other Obligations**

Detail of the changes in the bonds, loans, and compensated absences of the District for the year ended June 30, 2018 is as follows:

	Interest Rate	Restated Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
General Obligation Bonds and Loans:						
2006 Refunding:						
Current Interest Bonds	3.50-4.13%	\$16,740,000	\$0	\$16,740,000	\$0	\$0
Capital Appreciation Bonds - Principal		347,631	0	160,669	186,962	186,962
Capital Appreciation Bonds - Interest Premium		1,145,571	170,092	579,331	736,332	0
General Obligation Loan-Capital Improvements		566,014	0	566,014	0	0
2018 Refunding Bonds		200,000	0	47,311	152,689	38,526
Premium		0	10,965,000	0	10,965,000	150,000
		0	856,417	0	856,417	0
Subtotal Bonds and Loans		<u>18,999,216</u>	<u>11,991,509</u>	<u>18,093,325</u>	<u>12,897,400</u>	<u>375,488</u>
Compensated Absences		<u>943,371</u>	<u>95,880</u>	<u>81,696</u>	<u>957,555</u>	<u>28,687</u>
Subtotal Bonds and Other Amounts		<u>19,942,587</u>	<u>12,087,389</u>	<u>18,175,021</u>	<u>13,854,955</u>	<u>404,175</u>
Net Pension Liability:						
STRS		19,220,968	0	5,847,720	13,373,248	0
SERS		4,580,849	0	949,540	3,631,309	0
Total Net Pension Liability		<u>23,801,817</u>	<u>0</u>	<u>6,797,260</u>	<u>17,004,557</u>	<u>0</u>
Net OPEB Liability						
STRS		3,070,958	0	874,494	2,196,464	0
SERS		1,804,707	0	147,926	1,656,781	0
Total OPEB Liability		<u>4,875,665</u>	<u>0</u>	<u>1,022,420</u>	<u>3,853,245</u>	<u>0</u>
Total Long-Term Obligations		<u>\$48,620,069</u>	<u>\$12,087,389</u>	<u>\$25,994,701</u>	<u>\$34,712,757</u>	<u>\$404,175</u>

General obligation bonds and loans will be paid from the debt service fund and other governmental funds, respectively. Compensated absences will be paid from the general and other governmental funds.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

**General Obligation Loan**

During fiscal year 2017, the District received \$200,000 in a general obligation loan for capital improvements for the District. The loan will be retired from the other governmental funds.

**Advanced Refunded Bonds**

On September 5, 2017, the District issued \$10,965,000 in general obligation bonds to refund the 2006 general obligation bonds. The fiscal year 2018 refunding issue consisted of \$8,840,000 Refunding Bonds, Series 2017A (Tax-Exempt) and \$2,125,000 Refunding Bonds, Series 2017B (Federally Taxable). The \$856,417 premium on the issuance of the refunding bonds will be amortized over the remaining life of the debt which has a final maturity date of November 1, 2031. The bonds will be paid from the debt service fund.

**Brookville Local School District, Ohio**  
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**For The Fiscal Year Ended June 30, 2018**

The proceeds of the 2018 refunding bonds were placed, along with the premium proceeds and a \$5,355,577 payment from the District, into an irrevocable trust for the purpose of refunding the District's Series 2006 Bonds when they were called on December 1, 2017. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed from the Statement of Net Position. The reacquisition prices exceeded the net carrying value of the old debt by \$178,878. This amount is being reported as a deferred outflow of resources on the Statement of Net Position and is being amortized over the term of the 2018 refunding bonds issued. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$8,633,232, and resulted in an economic gain of \$2,306,009.

**Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2018 follows:

Fiscal Year Ending June 30	Current Interest Bonds		Capital Appreciation		General Obligation Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$150,000	\$355,500	\$186,962	\$803,039	\$38,527	\$6,167
2020	700,000	348,638	0	0	40,072	4,622
2021	700,000	336,213	0	0	41,702	2,992
2022	715,000	322,331	0	0	32,388	1,307
2023	735,000	300,400	0	0	0	0
2024-2028	4,290,000	1,140,950	0	0	0	0
2029-2032	3,675,000	279,500	0	0	0	0
Total	<u>\$10,965,000</u>	<u>\$3,083,532</u>	<u>\$186,962</u>	<u>\$803,039</u>	<u>\$152,689</u>	<u>\$15,088</u>

**Note 9 - Statutory Reserves**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2018, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	260,798
Qualified Disbursements	(206,287)
Current Year Offsets	(54,511)
Total	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2018	<u>\$0</u>

Carried Forward as of June 30, 2018

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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not be used to reduce the set-aside requirements of future fiscal years and therefore are not presented as being carried forward to the next fiscal year.

**Note 10 – Interfund Transactions**

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Interfund transactions at June 30, 2018, consisted of the following interfund receivable and interfund payable and transfers in and out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General	\$45,676	\$0	\$3,386	\$40,000
Other Governmental Funds	0	45,676	136,148	99,534
Total	<u>\$45,676</u>	<u>\$45,676</u>	<u>\$139,534</u>	<u>\$139,534</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

The transfer of \$96,148 between other governmental funds (from permanent improvement fund to the classroom facilities maintenance fund) was for maintenance of the District’s buildings and grounds in accordance with the District’s OSFC project. The transfer of \$3,386 from the IDEA Part B fund to the general fund was the return of advances that were made from fiscal year 2017.

**Note 11 - Risk Management**

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The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2018 the District contracted with the following insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Arthur J. Gallagher and Company	School Board Liability	\$10,000
Arthur J. Gallagher and Company	Excess Liability	0
Arthur J. Gallagher and Company	Excess Property	5,000
Arthur J. Gallagher and Company	Boiler & Machinery	3,500
Arthur J. Gallagher and Company	Auto Liability	1,000
Arthur J. Gallagher and Company	Cyber Liability	15,000
Arthur J. Gallagher and Company	Pollution	25,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**Note 12 - Insurance Purchasing Pool**

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Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (WCGRP) - The District participates in the WCGRP, an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. The Plan's business and affairs are conducted by an executive committee elected by members of the cooperative.

Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

**Note 13 - Jointly Governed Organizations**

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Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During the fiscal year 2018, the District paid \$1,536 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 1205 East Fifth Street, Dayton, Ohio 45402.

Southwestern Ohio Educational Purchasing Council (SOEPC) - SOEPC is a purchasing council made up of 132 school districts and boards of developmental disabilities in 18 counties. 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 SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district by the fiscal agent. Payments to SOEPC are made from the general fund. During fiscal year 2018, the District paid \$62,602 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Metropolitan Educational Technology Association - The District is a member of the Metropolitan Educational Technology Association (META). META develops, implements, and supports the technology and instructional needs of schools. The Board of Directors of META consists of a president and vice president along with 6 members. During fiscal year 2018, the District paid \$35,843 to META. Financial

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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information can be obtained from the Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Shared Resources Center Regional Council of Governments - The District participates in the Shared Resources Center Regional Council of Governments (Council), a jointly governed organization consisting of educational entities within Montgomery County. The purpose of the Council is to provide cost effective services to its members and to other entities, enhance and facilitate relationships between stakeholders in the public and private sector, and collaborate on research and development for innovations in education and local government. The Council is governed by a Governing Board, consisting of one individual from each of the seven original members, including the District. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Board. Financial information can be obtained from the Montgomery County Educational Service Center, 200 South Keowee Street, Dayton, Ohio 45402.

**Note 14 – Contingencies**

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**Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The impact of FTE adjustments on the fiscal year 2018 financial statements did not result in an additional receivable to, or a liability of, the District.

**Litigation**

The District’s attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 affect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

**Note 15 – Accountability**

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The following funds had deficit fund balances at June 30, 2018:

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Title I	\$20,786
IDEA Early Education	382
IDEA Part B	43,930
Local Grants	7,127

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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These deficits were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur. These deficits do not exist on a cash basis.

**Note 16 – Fund Balances**

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Inventory	\$61,735	\$0	\$0	\$61,735
Prepays	1,121	0	65	1,186
Total Nonspendable	62,856	0	65	62,921
Restricted for:				
Athletics	0	0	74,863	74,863
Food Service	0	0	263,568	263,568
Classroom Facilities Maintenance	0	0	137,351	137,351
Debt Service	0	766,549	0	766,549
Permanent Improvement	0	0	23,260	23,260
Capital Projects	0	0	20,080	20,080
Total Restricted	0	766,549	519,122	1,285,671
Assigned to:				
Public School Support	118,726	0	0	118,726
Encumbrances	121,921	0	0	121,921
Total Assigned	240,647	0	0	240,647
Unassigned (Deficit)	7,155,519	0	(72,263)	7,083,256
Total Fund Balance	\$7,459,022	\$766,549	\$446,924	\$8,672,495

**Note 17 – Tax Abatements Entered Into by Other Governments**

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Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, City of Brookville has entered into such an agreement. Under this agreement the District’s property taxes were reduced by approximately \$87,303.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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**Note 18 – Implementation of New Accounting Principles and Restatement of Net Position**

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For the fiscal year ended June 30, 2018, the District has implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 82, *Pensions Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*, GASB Statement No. 85, *Omnibus 2017*, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The implementation of GASB Statement No. 82 was included in the footnote disclosures and required supplementary information for 2018.

GASB Statement No. 86 sets out to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in



**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2018**

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substance that remains outstanding for which that risk of substitution exists. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net position June 30, 2017	\$1,251,235
Adjustments:	
Net OPEB Liability	(4,875,365)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>33,920</u>
Restated Net Position June 30, 2017	<u><u>(\$3,590,210)</u></u>

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

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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Brookville Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.05629605%	0.05742228%	0.05666642%	0.05661597%	0.05661597%
District's Proportionate Share of the Net Pension Liability	\$13,373,248	\$19,220,968	\$15,660,940	\$13,770,963	\$16,359,704
District's Covered-Employee Payroll	\$6,301,114	\$6,022,286	\$5,844,600	\$6,229,554	\$6,627,138
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	212.24%	319.16%	267.96%	221.06%	246.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.06077730%	0.06258780%	0.06399600%	0.06657700%	0.06657700%
District's Proportionate Share of the Net Pension Liability	\$3,631,309	\$4,580,849	\$3,651,674	\$3,369,424	\$3,960,306
District's Covered-Employee Payroll	\$1,952,107	\$1,943,743	\$2,879,454	\$1,954,127	\$2,545,838
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	186.02%	235.67%	126.82%	172.43%	155.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Brookville Local School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 for Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$909,228	\$882,156	\$843,120	\$818,244	\$809,842	\$861,528	\$890,964	\$890,124	\$893,328	\$827,088
Contributions in Relation to the Contractually Required Contribution	(909,228)	(882,156)	(843,120)	(818,244)	(809,842)	(861,528)	(890,964)	(890,124)	(893,328)	(827,088)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$6,494,486	\$6,301,114	\$6,022,286	\$5,844,600	\$6,229,554	\$6,627,138	\$6,853,569	\$6,847,108	\$6,871,754	\$6,362,215
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

Brookville Local School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 for Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$260,214	\$273,295	\$272,124	\$379,512	\$270,842	\$352,344	\$337,968	\$335,304	\$296,232	\$288,780
Contributions in Relation to the Contractually Required Contribution	(260,214)	(273,295)	(272,124)	(379,512)	(270,842)	(352,344)	(337,968)	(335,304)	(296,232)	(288,780)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$1,927,511	\$1,952,107	\$1,943,743	\$2,879,454	\$1,954,127	\$2,545,838	\$2,512,773	\$2,667,494	\$2,187,829	\$2,934,756
Contributions as a Percentage of Covered-Employee Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information.

Brookville Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability  
 State Teachers Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.05629605%	0.05742228%
District's Proportionate Share of the Net OPEB Liability	\$2,196,464	\$3,070,958
District's Covered-Employee Payroll	\$6,301,114	\$6,022,286
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	34.86%	50.99%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Brookville Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Postemployment Benefits Other Than Pension (OPEB) Liability  
 School Employees Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.06173410%	0.06330429%
District's Proportionate Share of the Net OPEB Liability	\$1,656,781	\$1,804,407
District's Covered-Employee Payroll	\$1,952,107	\$1,943,743
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	84.87%	92.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.



Brookville Local School District  
 Required Supplementary Information  
 Schedule of District Contributions to  
 Postemployment Benefits Other Than Pension (OPEB)  
 State Teachers Retirement System of Ohio  
 Last Three Fiscal Years (1)

	2018	2017	2016
Contractually Required Contribution to OPEB	\$0	\$0	\$0
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$6,494,486	\$6,301,114	\$6,022,286
Contributions to OPEB as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Brookville Local School District  
 Required Supplementary Information  
 Schedule of District Contributions to  
 Postemployment Benefits Other Than Pension (OPEB)  
 School Employees Retirement System of Ohio  
 Last Three Fiscal Years (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution to OPEB (2)	\$40,762	\$33,920	\$34,063
Contributions to OPEB in Relation to the Contractually Required Contribution	<u>(40,762)</u>	<u>(33,920)</u>	<u>(34,063)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$1,927,511	\$1,952,107	\$1,943,743
Contributions to OPEB as a Percentage of Covered-Employee Payroll	2.11%	1.74%	1.75%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) - Includes Surcharge.

See accompanying notes to the required supplementary information.

Brookville Local School District, Ohio  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$6,427,255	\$6,255,891	\$6,362,098	\$106,207
Revenue in lieu of taxes	205,354	199,879	203,272	3,393
Tuition and Fees	249,529	242,876	246,999	4,123
Investment Earnings	(7,241)	(7,048)	(7,168)	(120)
Intergovernmental	7,331,745	7,136,266	7,257,419	121,153
Extracurricular Activities	65,186	63,448	64,525	1,077
Other Revenues	98,225	95,606	97,229	1,623
Total Revenues	<u>14,370,053</u>	<u>13,986,918</u>	<u>14,224,374</u>	<u>237,456</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,087,354	6,044,219	5,736,405	307,814
Special	1,517,256	1,506,505	1,429,783	76,722
Vocational	201,818	200,388	190,183	10,205
Other	64,428	63,972	60,714	3,258
Support Services:				
Pupil	1,245,550	1,236,724	1,173,741	62,983
Instructional Staff	689,712	684,825	649,949	34,876
General Administration	25,734	25,551	24,250	1,301
School Administration	1,373,637	1,363,903	1,294,444	69,459
Fiscal	249,885	248,115	235,479	12,636
Operations and Maintenance	1,148,916	1,140,775	1,082,679	58,096
Pupil Transportation	662,064	657,373	623,895	33,478
Central	81,415	80,838	76,721	4,117
Operation of Non-Instructional Services	129,124	128,209	121,680	6,529
Extracurricular Activities	475,282	471,914	447,881	24,033
Total Expenditures	<u>13,952,175</u>	<u>13,853,311</u>	<u>13,147,804</u>	<u>705,507</u>
Excess of Revenues Over (Under) Expenditures	<u>417,878</u>	<u>133,607</u>	<u>1,076,570</u>	<u>942,963</u>
Other financing sources (uses):				
Proceeds from Sale of Assets	6,526	6,352	6,460	108
Advances (Out)	(44,877)	(44,559)	(42,290)	2,269
Transfers In	3,421	3,329	3,386	57
Transfers (Out)	(42,447)	(42,146)	(40,000)	2,146
Total Other Financing Sources (Uses)	<u>(77,377)</u>	<u>(77,024)</u>	<u>(72,444)</u>	<u>4,580</u>
Net Change in Fund Balance	340,501	56,583	1,004,126	947,543
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>7,161,342</u>	<u>7,161,342</u>	<u>7,161,342</u>	<u>0</u>
Fund Balance - End of Year	<u>\$7,501,843</u>	<u>\$7,217,925</u>	<u>\$8,165,468</u>	<u>\$947,543</u>

See accompanying notes to the required supplementary information.

**Brookville Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2018**

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**Note 1 – Budgetary Process**

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All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund-object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2018.

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

While the 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

**Brookville Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2018**

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

Net Change in Fund Balance	
	General
GAAP Basis	\$1,172,483
Revenue Accruals	(68,910)
Expenditure Accruals	74,264
Funds Budgeted Elsewhere	(13,316)
Advances (Out)	(42,290)
Encumbrances	(118,105)
Budget Basis	\$1,004,126

**Note 2 - SERS Change in Assumptions-Net Pension Liability**

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The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

**Note 3 - STRS Change in Assumptions and Benefit Terms-Net Pension Liability**

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**Changes in Assumptions**

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**Changes in Benefit Terms**

Effective July 1, 2017, the COLA was reduced to zero.

**Note 4 - SERS Change in Assumptions-Net OPEB Liability**

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Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

**Brookville Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2018**

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

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Note 5 - STRS Change in Assumptions-Net OPEB Liability**

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For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75% to 7.45%. 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.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<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 Receipts</b>	<b>Total Federal Non-Cash Receipts</b>	<b>Total Federal Expenditures</b>	<b>Total Federal Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	\$ 34,698	\$ -	\$ 34,698	\$ -
National School Lunch Program	10.555	N/A	<u>186,627</u>	<u>34,129</u>	<u>186,627</u>	<u>34,129</u>
Total Child Nutrition Cluster			<u>221,325</u>	<u>34,129</u>	<u>221,325</u>	<u>34,129</u>
Total U.S. Department of Agriculture			<u>221,325</u>	<u>34,129</u>	<u>221,325</u>	<u>34,129</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster (IDEA):						
Special Education Grants to States	84.027	H027A170111	298,601	-	301,040	-
Special Education Preschool Grants	84.173	H173A170119	<u>9,796</u>	<u>-</u>	<u>10,831</u>	<u>-</u>
Total Special Education Cluster (IDEA)			<u>308,397</u>	<u>-</u>	<u>311,871</u>	<u>-</u>
Title I Grants to Local Educational Agencies	84.010	S010A170035	166,992	-	171,424	-
Supporting Effective Instruction State Grants	84.367	S637A170034	38,854	-	38,854	-
Student Support and Academic Enrichment Program	84.424	N/A	<u>8,318</u>	<u>-</u>	<u>8,318</u>	<u>-</u>
Total U.S. Department of Education			<u>522,561</u>	<u>-</u>	<u>530,467</u>	<u>-</u>
<b>Total Receipts and Expenditures of Federal Awards</b>			<u><b>\$ 743,886</b></u>	<u><b>\$ 34,129</b></u>	<u><b>\$ 751,792</b></u>	<u><b>\$ 34,129</b></u>

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

**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Brookville Local School District (the District's) under programs of the federal government for the year ended June 30, 2018. 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 or changes in net position 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 fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.





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

Brookville Local School District  
Montgomery County  
75 June Place  
Brookville, Ohio 45309

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 Brookville Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2018, 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 28, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the 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 28, 2019



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

Brookville Local School District  
Montgomery County  
75 June Place  
Brookville, Ohio 45309

To the Board of Education:

***Report on Compliance for each Major Federal Program***

We have audited Brookville 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 each of Brookville Local School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

***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 programs.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs 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 each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on each Major Federal Program***

In our opinion, Brookville Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

***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 28, 2019

**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

# Brookville Local School District



**Timothy L. Hopkins**  
Superintendent  
(937) 833-2181

**Tiffany Hiser**  
Treasurer  
(937) 833-5582

**Jeffery J. Requarth**  
Dir. of Support Personnel  
(937) 833-4724 / 833-0724 (fax)

**Board of Education Offices**  
75 June Place  
Brookville, Ohio 45309  
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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS** **2 CFR 200.511(b)** **June 30, 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	The District's financial statements were misstated.	Partially Corrected	The District will continue to review and work with their GAAP consultant to make sure that the financial statements are accurately converted in the future.

*The mission of Brookville Local Schools is to challenge, prepare, and support all students to realize their full potential.*

# OHIO AUDITOR OF STATE KEITH FABER



**BROOKVILLE LOCAL SCHOOL DISTRICT**

**MONTGOMERY 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, 2019**