



OHIO AUDITOR OF STATE
KEITH FABER



**WESTERN BROWN LOCAL SCHOOL DISTRICT
BROWN COUNTY
JUNE 30, 2021**

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BROWN COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Brown Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2021, 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 District, as of June 30, 2021, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Elementary and Secondary School Emergency Relief funds 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 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding 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* 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 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 August 1, 2022, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio
August 1, 2022

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Western Brown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The discussion and analysis of Western Brown Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- The School District's overall financial net position decreased \$1,492,529 from the prior fiscal year.
- The most significant changes from the prior fiscal year are due to the State-wide pension systems' changes in assumptions and benefit terms.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2021?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets, liabilities and deferred inflows and outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Western Brown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for fiscal years 2021 and 2020:

Western Brown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

(Table 1)
Net Position

	2021	2020	Change
Assets:			
Current and Other Assets	\$35,145,970	\$33,828,872	\$1,317,098
Net OPEB Asset	1,914,849	1,840,188	74,661
Capital Assets, Net	32,808,643	34,106,681	(1,298,038)
Total Assets	<u>69,869,462</u>	<u>69,775,741</u>	<u>93,721</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	0	6,356	(6,356)
Pension	6,226,009	6,384,730	(158,721)
OPEB	859,371	623,789	235,582
Total Deferred Outflows of Resources	<u>7,085,380</u>	<u>7,014,875</u>	<u>70,505</u>
Liabilities:			
Current Liabilities	3,998,447	3,670,166	328,281
Long-Term Liabilities:			
Due Within One Year	185,686	720,143	(534,457)
Net Pension Liability	34,119,208	31,331,355	2,787,853
Net OPEB Liability	2,509,551	2,849,448	(339,897)
Other Amounts	1,782,985	1,821,875	(38,890)
Total Liabilities	<u>42,595,877</u>	<u>40,392,987</u>	<u>2,202,890</u>
Deferred Inflows of Resources:			
Property Taxes	3,709,050	3,725,348	(16,298)
Revenue in Lieu of Taxes	167,226	159,598	7,628
Pension	639,936	1,651,836	(1,011,900)
OPEB	3,755,852	3,281,417	474,435
Total Deferred Inflows of Resources	<u>8,272,064</u>	<u>8,818,199</u>	<u>(546,135)</u>
Net Position:			
Net Investment in Capital Assets	32,683,973	33,825,313	(1,141,340)
Restricted	6,001,407	6,163,627	(162,220)
Unrestricted (Deficit)	<u>(12,598,479)</u>	<u>(12,409,510)</u>	<u>(188,969)</u>
Total Net Position	<u>\$26,086,901</u>	<u>\$27,579,430</u>	<u>(\$1,492,529)</u>

Western Brown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total assets increased minimally by \$93,721. Current and other assets increased due to an increase in property tax receivable, which was due to an increase in the amount available for advance, as well as an increase in intergovernmental receivable due to grants that have not been reimbursed to the School District yet. However, capital assets net of accumulated depreciation decreased due to current year depreciation exceeding current year additions to capital assets.

Total Liabilities increased \$2,202,890 due to the State-wide pension systems' changes in assumptions and benefit terms. Deferred inflows of resources related to pension decreased \$1,011,900 also due to the State-wide pension systems' changes in assumptions and benefit terms.

Total net position decreased \$1,492,529 mainly due to the decrease in capital assets.

Table 2 shows the changes in net position for fiscal years 2021 and 2020.

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

Western Brown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

(Table 2)

Changes in Net Position

	2021	2020	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$2,475,204	\$2,861,641	(\$386,437)
Operating Grants and Contributions	7,605,807	5,097,215	2,508,592
Capital Grants and Contributions	40,000	84,500	(44,500)
Total Program Revenues	<u>10,121,011</u>	<u>8,043,356</u>	<u>2,077,655</u>
General Revenues:			
Property Taxes	5,679,904	5,239,698	440,206
Grants and Entitlements not Restricted to Specific Programs	23,945,722	25,116,525	(1,170,803)
Investment Earnings	141,555	535,942	(394,387)
Gifts and Donations not Restricted to Specific Programs	12,663	17,779	(5,116)
Revenue in Lieu of Taxes	180,976	198,278	(17,302)
Miscellaneous	465,172	61,261	403,911
Total General Revenues	<u>30,425,992</u>	<u>31,169,483</u>	<u>(743,491)</u>
Total Revenues	<u>40,547,003</u>	<u>39,212,839</u>	<u>1,334,164</u>
Program Expenses:			
Instruction:			
Regular	20,860,212	19,719,334	1,140,878
Special	4,621,762	4,608,217	13,545
Vocational	232,691	228,552	4,139
Student Intervention Services	19,597	1,000	18,597
Support Services:			
Pupils	2,073,495	1,915,343	158,152
Instructional Staff	785,950	450,356	335,594
Board of Education	15,417	17,627	(2,210)
Administration	2,640,101	2,716,693	(76,592)
Fiscal	692,052	738,301	(46,249)
Operation and Maintenance of Plant	3,468,940	3,126,508	342,432
Pupil Transportation	2,712,234	2,634,130	78,104
Central	1,391,054	1,131,974	259,080
Operation of Non-Instructional Services	1,557,200	1,644,461	(87,261)
Extracurricular Activities	951,167	1,188,575	(237,408)
Interest and Fiscal Charges	17,660	43,912	(26,252)
Total Expenses	<u>42,039,532</u>	<u>40,164,983</u>	<u>1,874,549</u>
Change in Net Position	(1,492,529)	(952,144)	(540,385)
Net Position at Beginning of Year	<u>27,579,430</u>	<u>28,531,574</u>	<u>(952,144)</u>
Net Position at End of Year	<u>\$26,086,901</u>	<u>\$27,579,430</u>	<u>(\$1,492,529)</u>

Western Brown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Governmental Activities

The School District remains heavily reliant on State funding. Grants and Entitlements not restricted to specific programs made up 59 percent of total revenues of the Western Brown Local School District for fiscal year 2021.

Instruction comprises 61 percent of governmental program expenses while support services are responsible for 33 percent. Overall, expenses increased \$1,874,549 predominately due to the State-wide pension systems' changes in assumptions and benefit terms.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants and contributions, including interest, offsetting those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted grants and entitlements. The dependence upon tax revenues and intergovernmental foundation monies is apparent. The community and the State of Ohio, as a whole, provide the vast majority of resources for Western Brown Local School District students.

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$40,191,211 and expenditures of \$39,700,406.

The General Fund saw an increase in fund balance of \$845,733. This was mainly due to revenues continuing to outpace expenditures.

The Elementary and Secondary School Emergency Relief Fund saw a decrease in fund balance of \$541,764. This was mainly due to federal grant money that has been spent but not yet reimbursed to the school district.

General Fund - Budget Highlights

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

During the course of fiscal year 2021, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts starts on page 20, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the original budgeted basis revenues and final budget amounts were \$33,756,386 and \$33,734,878 respectively. The School District's actual revenues were \$34,274,419 at fiscal year-end. The \$539,541 variance between final budget and actual revenue is primarily due to the increase in property taxes and tuition and fees revenues.

Western Brown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Original budget basis appropriations and final budget appropriations were \$36,346,827 and \$36,345,826 respectively. The School District's actual expenditures and encumbrances were \$34,343,639 at fiscal year-end. Actual expenditures were \$2,002,187 less than final budgeted appropriations due to the School District carefully monitoring expenses throughout the year as well as less utilities and variable expenses paid during the fiscal year due to the school buildings being closed during the COVID-19 pandemic.

The School District's ending unobligated cash balance was \$2,278,486 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the School District had \$32,808,643 invested in capital assets (net of accumulated depreciation). For further information regarding the School District's capital assets, refer to Note 9 in the Notes to the Basic Financial Statements.

Debt

At June 30, 2021, the School District had no outstanding long-term general obligation debt. It had \$124,670 in outstanding leases.

At June 30, 2021, the School District's overall legal debt margin was \$26,373,422, with an unvoted debt margin of \$293,038.

For further information regarding the School District's debt obligations, refer to Note 14 in the Notes to the Basic Financial Statements.

Contacting the School District's Financial Management

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

Western Brown Local School District
Statement of Net Position
June 30, 2021

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$27,742,415
Materials and Supplies Inventory	15,292
Taxes Receivable	5,757,146
Revenue in Lieu of Taxes Receivable	167,226
Accounts Receivable	1,286
Accrued Interest Receivable	2,001
Intergovernmental Receivable	1,423,865
Prepaid Items	36,739
Net OPEB Asset	1,914,849
Capital Assets:	
Nondepreciable Capital Assets	2,567,453
Depreciable Capital Assets, Net	30,241,190
<i>Total Assets</i>	69,869,462
<u>Deferred Outflows of Resources:</u>	
Pension	6,226,009
OPEB	859,371
<i>Total Deferred Outflows of Resources</i>	7,085,380
<u>Liabilities:</u>	
Accounts Payable	408,755
Accrued Wages and Benefits Payable	3,150,021
Intergovernmental Payable	439,671
Long-Term Liabilities:	
Due Within One Year	185,686
Due in More Than One Year:	
Net Pension Liability	34,119,208
OPEB Liability	2,509,551
Other Amounts	1,782,985
<i>Total Liabilities</i>	42,595,877
<u>Deferred Inflows of Resources:</u>	
Property Taxes	3,709,050
Revenue in Lieu of Taxes	167,226
Pension	639,936
OPEB	3,755,852
<i>Total Deferred Inflows of Resources</i>	\$8,272,064
	<i>(continued)</i>

Western Brown Local School District
Statement of Net Position
June 30, 2021
(Continued)

Net Position:

Net Investment in Capital Assets	\$32,683,973
Restricted for:	
Capital Outlay	2,385,603
Classroom Facilities	1,917,961
District Managed Activities	129,654
Miscellaneous Grants	1,364,618
Scholarships	49,576
Student Managed Activities	153,995
Unrestricted (Deficit)	<u>(12,598,479)</u>
 <i>Total Net Position</i>	 <u><u>\$26,086,901</u></u>

See accompanying notes to the basic financial statements

Western Brown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position	
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$20,860,212	\$1,200,140	\$1,393,414	\$0	(\$18,266,658)
Special	4,621,762	247,514	2,804,255	0	(1,569,993)
Vocational	232,691	0	243,932	0	11,241
Student Intervention Services	19,597	0	1,808	0	(17,789)
Support Services:					
Pupils	2,073,495	123,280	181,657	0	(1,768,558)
Instructional Staff	785,950	0	731,975	0	(53,975)
Board of Education	15,417	0	0	0	(15,417)
Administration	2,640,101	154,377	20	0	(2,485,704)
Fiscal	692,052	0	0	0	(692,052)
Operation and Maintenance of Plant	3,468,940	220,204	63,700	0	(3,185,036)
Pupil Transportation	2,712,234	173,924	207,085	0	(2,331,225)
Central	1,391,054	0	345,828	0	(1,045,226)
Operation of Non-Instructional Services	1,557,200	80,133	1,602,501	0	125,434
Extracurricular Activities	951,167	275,632	29,632	40,000	(605,903)
Interest and Fiscal Charges	17,660	0	0	0	(17,660)
<i>Total Governmental Activities</i>	<u>\$42,039,532</u>	<u>\$2,475,204</u>	<u>\$7,605,807</u>	<u>\$40,000</u>	<u>(31,918,521)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	5,635,935
Classroom Facility Maintenance	5,071
Debt Service	38,898
Grants and Entitlements not Restricted to Specific Programs	23,945,722
Investment Earnings	141,555
Gifts and Donations not Restricted to Specific Programs	12,663
Revenue in Lieu of Taxes	180,976
Miscellaneous	465,172

Total General Revenues 30,425,992

Change in Net Position (1,492,529)

Net Position at Beginning of Year 27,579,430

Net Position at End of Year \$26,086,901

See accompanying notes to the basic financial statements

Western Brown Local School District
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Elementary and Secondary School Emergency Relief Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$21,843,239	\$49,240	\$5,849,936	\$27,742,415
Materials and Supplies Inventory	0	0	15,292	15,292
Receivables:				
Taxes	5,757,146	0	0	5,757,146
Revenue in Lieu of Taxes	167,226	0	0	167,226
Accounts	1,237	0	49	1,286
Accrued Interest	2,001	0	0	2,001
Intergovernmental	95,197	567,506	761,162	1,423,865
Interfund	764,216	0	0	764,216
Prepaid Items	36,739	0	0	36,739
<i>Total Assets</i>	<u>\$28,667,001</u>	<u>\$616,746</u>	<u>\$6,626,439</u>	<u>\$35,910,186</u>
<u>Liabilities:</u>				
Accounts Payable	\$363,995	\$2,835	\$41,925	\$408,755
Accrued Wages and Benefits Payable	2,745,662	78,860	325,499	3,150,021
Interfund Payable	0	533,336	230,880	764,216
Intergovernmental Payable	414,670	1,715	23,286	439,671
<i>Total Liabilities</i>	<u>3,524,327</u>	<u>616,746</u>	<u>621,590</u>	<u>4,762,663</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	3,709,050	0	0	3,709,050
Revenue in Lieu of Taxes	167,226	0	0	167,226
Unavailable Revenue	410,881	542,363	319,668	1,272,912
<i>Total Deferred Inflows of Resources</i>	<u>4,287,157</u>	<u>542,363</u>	<u>319,668</u>	<u>5,149,188</u>
<u>Fund Balances:</u>				
Nonspendable	36,739	0	15,292	52,031
Restricted	0	0	5,766,853	5,766,853
Assigned	2,865,706	0	0	2,865,706
Unassigned (Deficit)	17,953,072	(542,363)	(96,964)	17,313,745
<i>Total Fund Balances</i>	<u>20,855,517</u>	<u>(542,363)</u>	<u>5,685,181</u>	<u>25,998,335</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$28,667,001</u>	<u>\$616,746</u>	<u>\$6,626,439</u>	<u>\$35,910,186</u>

See accompanying notes to the basic financial statements

Western Brown Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2021*

Total Governmental Fund Balances \$25,998,335

***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. 32,808,643

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

Property Taxes	318,887	
Intergovernmental	952,380	
Investment Earnings	1,645	
Total Unavailable Revenues		1,272,912

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

Net OPEB Asset	1,914,849	
Deferred Outflows - Pension	6,226,009	
Deferred Outflows - OPEB	859,371	
Net Pension Liability	(34,119,208)	
Net OPEB Liability	(2,509,551)	
Deferred Inflows - Pension	(639,936)	
Deferred Inflows - OPEB	(3,755,852)	
Total Pension/OPEB		(32,024,318)

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

Lease payable	(124,670)	
Compensated absences payable	(1,844,001)	
Total liabilities		(1,968,671)

Net Position of Governmental Activities \$26,086,901

See accompanying notes to the basic financial statements

Western Brown Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General Fund	Elementary and Secondary School Emergency Relief Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$5,612,575	\$0	\$86,017	\$5,698,592
Intergovernmental	26,316,505	446,082	4,351,921	31,114,508
Investment Earnings	141,552	0	2	141,554
Tuition and Fees	2,080,645	0	5,795	2,086,440
Extracurricular Activities	39,070	0	269,241	308,311
Rent	320	0	0	320
Contributions and Donations	52,663	0	62,542	115,205
Customer Sales and Services	0	0	80,133	80,133
Revenue in Lieu of Taxes	180,976	0	0	180,976
Miscellaneous	445,530	0	19,642	465,172
Total Revenues	34,869,836	446,082	4,875,293	40,191,211
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	17,445,895	371,188	964,599	18,781,682
Special	3,703,019	5,400	687,505	4,395,924
Vocational	215,329	0	0	215,329
Student Intervention Services	0	1,814	2,902	4,716
Support Services:				
Pupils	1,864,161	42,240	73,325	1,979,726
Instructional Staff	324,384	9,812	463,129	797,325
Board of Education	15,417	0	0	15,417
Administration	2,333,937	0	21	2,333,958
Fiscal	691,792	0	9,900	701,692
Operation and Maintenance of Plant	3,147,946	57,406	23,862	3,229,214
Pupil Transportation	2,567,871	17,207	66,293	2,651,371
Central	1,042,235	171,713	174,716	1,388,664
Operation of Non-Instructional Services	41,581	311,066	1,139,642	1,492,289
Extracurricular Activities	499,859	0	356,673	856,532
Capital Outlay	252,591	0	0	252,591
Debt Service:				
Principal Retirement	26,220	0	275,000	301,220
Interest and Fiscal Charges	2,756	0	0	2,756
Capital Appreciation Bond Accretion	0	0	300,000	300,000
Total Expenditures	34,174,993	987,846	4,537,567	39,700,406
Excess of Revenues Over (Under) Expenditures	694,843	(541,764)	337,726	490,805
<u>Other Financing Sources (Uses):</u>				
Inception of Lease	150,890	0	0	150,890
Transfers In	0	0	2,385,603	2,385,603
Transfers Out	0	0	(2,385,603)	(2,385,603)
Total Other Financing Sources (Uses)	150,890	0	0	150,890
Net Change in Fund Balances	845,733	(541,764)	337,726	641,695
Fund Balances (Deficits) at Beginning of Year	20,009,784	(599)	5,347,455	25,356,640
Fund Balances (Deficits) at End of Year	\$20,855,517	(\$542,363)	\$5,685,181	\$25,998,335

See accompanying notes to the basic financial statements

Western Brown Local School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2021*

Net Change in Fund Balances - Total Governmental Funds \$641,695

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

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

Capital assets additions	820,234	
Depreciation expense	(2,118,272)	
Excess of depreciation expense over capital outlay		(1,298,038)

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

Delinquent property taxes	(18,688)	
Intergovernmental	374,479	
Investment Earnings	1	
Total		355,792

Some assets were financed through leases. In governmental funds, a lease arrangement is considered a source of financing, but in the Statement Government funds report bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities.

(150,890)

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

Bond principal retirement	275,000	
Lease principal retirement	26,220	
Total long-term debt repayment		301,220

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

Amortization of deferred charge on refunding	(6,356)	
Amortization of bond premium	12,724	
Redemption of accretion on capital appreciation bonds	300,000	
Accretion on capital appreciation bonds	(21,272)	
Total		285,096

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

Pension	2,515,267	
OPEB	72,699	
Total		\$2,587,966 (continued)

Western Brown Local School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2021
(Continued)*

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

Pension	(\$4,449,941)	
OPEB	103,006	
Total		(4,346,935)

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

Decrease in compensated absences		131,565
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Change in Net Position of Governmental Activities		(\$1,492,529)
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See accompanying notes to the basic financial statements

Western Brown Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
<u>Revenues:</u>				
Property Taxes	\$5,009,042	\$5,009,042	\$5,300,918	\$291,876
Intergovernmental	26,276,700	26,276,700	26,394,260	117,560
Investment Earnings	150,000	150,000	169,259	19,259
Tuition and Fees	1,939,390	1,935,739	2,080,900	145,161
Extracurricular Activities	74,621	59,999	38,474	(21,525)
Rent	0	0	320	320
Contributions and Donations	87,195	83,960	63,457	(20,503)
Revenue in Lieu of Taxes	190,000	190,000	180,976	(9,024)
Miscellaneous	29,438	29,438	45,855	16,417
<i>Total Revenues</i>	<i>33,756,386</i>	<i>33,734,878</i>	<i>34,274,419</i>	<i>539,541</i>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	18,495,885	18,057,180	17,310,534	746,646
Special	3,751,342	3,751,342	3,698,121	53,221
Vocational	205,415	217,160	215,984	1,176
Student Intervention Services	17,500	17,500	0	17,500
Support Services:				
Pupils	1,716,240	1,916,240	1,896,582	19,658
Instructional Staff	363,799	364,148	325,766	38,382
Board of Education	16,464	16,464	15,417	1,047
Administration	2,295,745	2,351,638	2,351,308	330
Fiscal	709,561	709,746	682,970	26,776
Operation and Maintenance of Plant	3,321,001	3,321,498	3,123,603	197,895
Pupil Transportation	3,503,686	3,506,230	2,867,959	638,271
Central	1,041,600	1,192,091	1,182,309	9,782
Operation of Non-Instructional Services	14,770	30,770	30,676	94
Extracurricular Activities	639,467	639,467	503,881	135,586
Capital Outlay	254,352	254,352	138,529	115,823
<i>Total Expenditures</i>	<i>36,346,827</i>	<i>36,345,826</i>	<i>34,343,639</i>	<i>2,002,187</i>
<i>Excess of Revenues Under Expenditures</i>	<i>(\$2,590,441)</i>	<i>(\$2,610,948)</i>	<i>(\$69,220)</i>	<i>\$2,541,728</i>

(continued)

Western Brown Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021
(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	\$0	\$0	\$505,969	\$505,969
Advances In	374,580	374,580	369,585	(4,995)
Advances Out	0	0	(764,216)	(764,216)
<i>Total Other Financing Sources (Uses)</i>	<u>374,580</u>	<u>374,580</u>	<u>111,338</u>	<u>(263,242)</u>
<i>Net Change in Fund Balance</i>	(2,215,861)	(2,236,368)	42,118	2,278,486
<i>Fund Balance at Beginning of Year</i>	20,752,723	20,752,723	20,752,723	0
<i>Prior Year Encumbrances Appropriated</i>	<u>464,303</u>	<u>464,303</u>	<u>464,303</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$19,001,165</u></u>	<u><u>\$18,980,658</u></u>	<u><u>\$21,259,144</u></u>	<u><u>\$2,278,486</u></u>

See accompanying notes to the basic financial statements

Western Brown Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Elementary and Secondary School Emergency Relief Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Intergovernmental	\$652,513	\$420,939	\$420,939	\$0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	227,049	346,622	314,997	31,625
Student Intervention Services	1,308	5,460	1,814	3,646
Support Services:				
Pupils	30,446	95,346	42,240	53,106
Operation and Maintenance of Plant	35,134	84,597	51,578	33,019
Pupil Transportation	10,366	15,000	14,382	618
Central	123,770	204,000	203,718	282
Operation of Non-Instructional Services	223,841	326,000	324,947	1,053
<i>Total Expenditures</i>	651,914	1,077,025	953,676	123,349
<i>Excess of Revenues Over (Under) Expenditures</i>	599	(656,086)	(532,737)	123,349
<u>Other Financing Sources (Uses):</u>				
Advances In	0	533,336	533,336	0
Advances Out	0	0	(123,349)	(123,349)
<i>Total Other Financing Sources (Uses)</i>	0	533,336	409,987	(123,349)
<i>Net Change in Fund Balance</i>	599	(122,750)	(122,750)	0
<i>Fund Balance at Beginning of Year</i>	0	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	122,750	122,750	122,750	0
<i>Fund Balance at End of Year</i>	\$123,349	\$0	\$0	\$0

See accompanying notes to the basic financial statements

Western Brown Local School District
Statement of Change in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2021

	OHSAA Fund
<u>Additions:</u>	
Charges Received for OHSAA	\$3,610
<u>Deductions:</u>	
Distributions on Behalf of OHSAA	3,610
<i>Change in Net Position</i>	0
<i>Net Position at Beginning of Year</i>	0
<i>Net Position at End of Year</i>	\$0

See accompanying notes to the basic financial statements

Western Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District. The Board controls the School District's four instructional support facilities staffed by 117 non-certificated, 166 teaching and 19 administrative employees providing education to 2,909 students.

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

Reporting Entity

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

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

The School District participates in five jointly governed organizations, one public entity shared risk pool and one insurance purchasing pool. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Western Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Public Entity Shared Risk Pool:
Brown County Schools Benefits Consortium

Insurance Purchasing Pool:
Ohio SchoolComp Workers' Compensation Group Rating Plan

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the

Western Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

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

Governmental Funds

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

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

Elementary and Secondary School Emergency Relief (ESSER) Fund – This fund is used to account for and report federal grant money received through the American Rescue Plan Act to help the School District sustain safe operation and to aid in the impact of the Coronavirus pandemic.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District has one custodial fund which is used to account for Ohio High School Athletic Association (OHSAA) monies.

Western Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Like the government-wide statements, fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected

Western Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes and revenue in lieu of taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, revenue in lieu of taxes, pension and OPEB plans and unavailable revenue. Property taxes and revenue in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 11 and 12)

Western Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Expenses/Expenditures

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Cash Equivalents

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

During fiscal year 2021, the School District invested in STAROhio, a Money Market Mutual Fund, US Treasury Bills, and Negotiable Certificates of Deposit. Investments, not including STAROhio, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price.

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

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAROhio reserves the right to limit the transactions to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

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Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$141,552, which includes \$30,100 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Interfund Balances

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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

The School District is reporting intangible right to use assets related to leased equipment. This intangible asset is being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 75 years
Furniture and Equipment	5 - 20 years
Vehicles	3 - 15 years

Compensated Absences

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

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

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

Accrued Liabilities and Long-term Obligations

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

Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or State Statute. State statute authorizes the Treasurer to assign fund balance for purchase orders provided such amounts have been lawfully appropriated. The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2022 appropriation budget.

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

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

Net Position

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

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

*Western Brown Local School District
Notes to the Basic Financial Statements
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Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements.

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

Budgetary Process

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

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

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

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.

Western Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2021, the School District is implementing Implementation Guide No. 2019-1. These changes were incorporated in the School District’s 2021 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 – ACCOUNTABILITY

At June 30, 2021, the following nonmajor special revenue funds had deficit fund balances:

<u>Funds</u>	<u>Amounts</u>
Elementary and Secondary School Emergency Relief	\$542,363
Food Service	43,973
Title VI-B Preschool	7,210
Miscellaneous Federal Grants	30,489
Total	<u><u>\$624,035</u></u>

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

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and the Elementary and Secondary School Emergency Relief Fund.

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For the Fiscal Year Ended June 30, 2021

Net Change in Fund Balance		
	General Fund	Elementary and Secondary School Emergency Relief Fund
GAAP Basis	\$845,733	(\$541,764)
Adjustments:		
Revenue Accruals	101,184	508,193
Expenditure Accruals	(354,312)	(39,939)
Encumbrances	(578,550)	(49,240)
Increase in Fair Market Value of Investments - 2020	33,608	0
Increase in Fair Market Value of Investments - 2021	(5,545)	0
Budget Basis	\$42,118	(\$122,750)

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

Western Brown Local School District
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For the Fiscal Year Ended June 30, 2021

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

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

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

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Investments

As of June 30, 2021, the School District had the following investments, which are in an internal investment pool:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Standard & Poor's Rating</u>	<u>Percent of Total Investments</u>
Net Asset Value per Share:				
STAROhio	\$2,130,453	Less than one year	AAAm	N/A
Fair Value - Level One Inputs:				
Money Market Mutual Funds	4,009	Less than one year	AAAm	N/A
Fair Value - Level Two Inputs:				
US Treasury Bills	1,093,769	Less than one year	AA+	25.91 %
Negotiable Certificates of Deposit	992,933	Less than one year	N/A	23.52
Total Fair Value - Level Two Inputs	2,086,702			
Total Investments	<u>\$4,221,164</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2021. The money market mutual fund is measured at fair value using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk

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

Credit Risk

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

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Concentration of Credit Risk

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

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Brown County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2021, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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Notes to the Basic Financial Statements
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The amount available as an advance at June 30, 2021, was \$1,729,209 and is recognized as revenue in the General Fund. The amount available as an advance at June 30, 2020, was \$1,417,552 in the General Fund, \$177,194 in the Debt Service Fund, and \$25,220 in the Classroom Facility Maintenance Fund.

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

The assessed values upon which fiscal year 2021 taxes were collected are:

	2020 Second- Half Collections		2021 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$275,606,940	95.46%	\$279,229,950	95.29%
Public Utility Personal	13,112,870	4.54%	13,808,070	4.71%
Total Assessed Value	\$288,719,810	100.00%	\$293,038,020	100.00%
Tax rate per \$1,000 of assessed valuation	\$23.00		\$20.00	

NOTE 8 – RECEIVABLES

Receivables at June 30, 2021, consisted of property taxes, revenue in lieu of taxes, accounts, interest, intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes and revenue in lieu of taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The intergovernmental receivables are as follows:

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<u>Governmental Activities:</u>	<u>Amounts</u>
Elementary and Secondary School Emergency Relief Fund	\$567,506
Coronavirus Relief Grant	2,876
IDEA-B	171,030
IDEA - Restoration	674
IDEA - Preschool Restoration	5,540
Expanding Opportunities	16,269
Title I - Targeted Assistance Grant	289,676
Title II-A	117,336
Title IV-A	65,317
Federal Lunch	92,444
School Employees Retirement System Refund	35,602
State Teachers Retirement System Refund	54,747
Foundation Adjustment	4,848
Total Intergovernmental Receivables	<u><u>\$1,423,865</u></u>

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Balance</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2021</u>
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$2,567,453	\$0	\$0	\$2,567,453
Capital Assets, Being Depreciated:				
Buildings and Improvements	66,262,530	48,386	0	66,310,916
Furniture and Equipment	7,932,350	195,494	0	8,127,844
Intangible Right to Use - Equipment**	0	150,890	0	150,890
Vehicles	3,368,644	425,464	(264,105)	3,530,003
Total Capital Assets, Being Depreciated	<u>77,563,524</u>	<u>820,234</u>	<u>(264,105)</u>	<u>78,119,653</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(36,433,685)	(1,650,140)	0	(38,083,825)
Furniture and Equipment	(7,520,652)	(106,653)	0	(7,627,305)
Intangible Right to Use - Equipment**	0	(30,178)	0	(30,178)
Vehicles	(2,069,959)	(331,301)	264,105	(2,137,155)
Total Accumulated Depreciation	<u>(46,024,296)</u>	<u>(2,118,272) *</u>	<u>264,105</u>	<u>(47,878,463)</u>
Total Capital Assets, Being Depreciated, Net	<u>31,539,228</u>	<u>(1,298,038)</u>	<u>0</u>	<u>30,241,190</u>
Governmental Activities Capital Assets, Net	<u><u>\$34,106,681</u></u>	<u><u>(\$1,298,038)</u></u>	<u><u>\$0</u></u>	<u><u>\$32,808,643</u></u>

* Depreciation expense was charged to governmental functions as follows:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Instruction:	
Regular	\$1,218,517
Special	82,585
Vocational	17,209
Support Services:	
Pupils	56,038
Instructional Staff	4,567
Administration	211,039
Fiscal	8,949
Operation and Maintenance of Plant	40,868
Pupil Transportation	335,691
Central	5,025
Operation of Non-Instructional Services	36,679
Extracurricular Activities	101,105
Total Depreciation Expense	\$2,118,272

** Of the current year depreciation total of \$2,118,272, \$30,178 is presented as regular instruction expense on the Statement of Activities related to the School District's intangible asset of copiers, which is included as an Intangible Right to Use Lease. Under Governmental Accounting Standards Board Statement No. 87, Leases, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

NOTE 10 – RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the School District contracted with Markel Insurance Company for general liability insurance and School Board errors and omissions coverage. The School District contracted with Markel Insurance Group for commercial umbrella liability insurance. The School District's vehicles are covered by Markel Insurance Company under a business policy.

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

Workers' Compensation

For fiscal year 2021, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduce premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of

Western Brown Local School District
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CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Employee Medical

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (see Note 17) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

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

Net Pension/Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$598,525 for fiscal year 2021, none of which is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit

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recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

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The School District's contractually required contribution to STRS was \$1,916,742 for fiscal year 2021. Of this amount, \$336,999 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Current Measurement Date	0.11726940%	0.10895305%	
Prior Measurement Date	0.11299760%	0.11110639%	
Change in Proportionate Share	<u>0.00427180%</u>	<u>-0.00215334%</u>	
Proportionate Share of the Net			
Pension Liability	\$7,756,446	\$26,362,762	\$34,119,208
Pension Expense	\$934,626	\$3,515,315	\$4,449,941

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$15,066	\$59,152	\$74,218
Changes of assumptions	0	1,415,171	1,415,171
Net difference between projected and actual earnings on pension plan investments	492,377	1,282,024	1,774,401
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	154,403	292,549	446,952
School District contributions subsequent to the measurement date	<u>598,525</u>	<u>1,916,742</u>	<u>2,515,267</u>
Total Deferred Outflows of Resources	<u>\$1,260,371</u>	<u>\$4,965,638</u>	<u>\$6,226,009</u>

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	SERS	STRS	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$0	\$168,572	\$168,572
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	37,785	433,579	471,364
Total Deferred Inflows of Resources	\$37,785	\$602,151	\$639,936

\$2,515,267 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$58,796	\$933,369	\$992,165
2023	205,876	345,433	551,309
2024	205,234	681,505	886,739
2025	154,155	486,438	640,593
Total	\$624,061	\$2,446,745	\$3,070,806

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, 2020, are presented below:

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

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

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

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	1.85%
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00%</u>	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$10,625,383	\$7,756,446	\$5,349,352

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

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

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

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that

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member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$37,535,983	\$26,362,762	\$16,894,387

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2021, two members of the Board of Education have elected Social Security. The contribution rate is 6.20 percent of wages.

NOTE 12 – DEFINED BENEFIT OPEB PLANS

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care

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coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$72,699.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$72,699 for fiscal year 2021, which is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System of Ohio (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under

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Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.11547050%	0.10895305%	
Prior Measurement Date	0.11330760%	0.11110639%	
Change in Proportionate Share	0.00216290%	-0.00215334%	
Proportionate Share of the:			
Net OPEB (Asset)	\$0	(\$1,914,849)	(\$1,914,849)
Net OPEB Liability	\$2,509,551	\$0	\$2,509,551
OPEB Expense	(\$5,986)	(\$97,020)	(\$103,006)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$32,960	\$122,694	\$155,654
Changes of assumptions	427,791	31,610	459,401
Net difference between projected and actual earnings on pension plan investments	28,277	67,107	95,384
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	13,755	62,478	76,233
School District contributions subsequent to the measurement date	72,699	0	72,699
Total Deferred Outflows of Resources	\$575,482	\$283,889	\$859,371

Deferred Inflows of Resources:			
Differences between expected and actual experience	\$1,276,283	\$381,410	\$1,657,693
Changes of assumptions	63,210	1,818,784	1,881,994
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	202,166	13,999	216,165
Total Deferred Inflows of Resources	\$1,541,659	\$2,214,193	\$3,755,852

\$72,699 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	(\$221,807)	(\$477,635)	(\$699,442)
2023	(219,762)	(432,211)	(651,973)
2024	(220,095)	(416,275)	(636,370)
2025	(197,716)	(424,789)	(622,505)
2026	(135,259)	(86,359)	(221,618)
2027	(44,237)	(93,035)	(137,272)
Total	(\$1,038,876)	(\$1,930,304)	(\$2,969,180)

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)

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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, 2020, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.22 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 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

Western Brown Local School District
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	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1 % Increase (3.63%)
School District's proportionate share of the net OPEB liability	\$3,071,629	\$2,509,551	\$2,062,701

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$1,976,081	\$2,509,551	\$3,222,939

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

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Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1 % Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$1,666,042)	(\$1,914,849)	(\$2,125,951)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$2,112,847)	(\$1,914,849)	(\$1,673,656)

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NOTE 13 – EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each fiscal year under contract. Only 250 days of sick leave may be accumulated during regular employment. Upon severance from the School District, payment is made for one-quarter of administrators' accumulated, but unused sick leave credit and one-fourth of teachers' and classified employees' accumulated, but unused sick leave credit.

Insurance Benefits

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

NOTE 14 – LONG-TERM LIABILITIES

The changes in the School District's long-term liabilities during fiscal year 2021 were as follows:

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	Amount Outstanding 6/30/2020	Additions	Deductions	Amount Outstanding 6/30/2021	Amounts Due in One Year
<u>Governmental Activities:</u>					
Refunding Bonds 2011:					
Serial Bonds 3.75%	\$0	\$0	\$0	\$0	\$0
Capital Appreciation Bond 6.25%	275,000	0	275,000	0	0
Premium on Debt Issue	12,724	0	12,724	0	0
Accretion of Capital					
Appreciation Bonds	278,728	21,272	300,000	0	0
Total General Obligation Bonds	<u>566,452</u>	<u>21,272</u>	<u>587,724</u>	<u>0</u>	<u>0</u>
<u>Other Long-Term Obligations:</u>					
Net Pension Liability:					
SERS	6,760,845	995,601	0	7,756,446	0
STRS	24,570,510	1,792,252	0	26,362,762	0
Total Net Pension Liability	<u>31,331,355</u>	<u>2,787,853</u>	<u>0</u>	<u>34,119,208</u>	<u>0</u>
Net OPEB Liability:					
SERS	2,849,448	0	339,897	2,509,551	0
Compensated Absences	1,975,566	251,142	382,707	1,844,001	156,892
Lease	0	150,890	26,220	124,670	28,794
Total Other Long-Term Obligations	<u>36,156,369</u>	<u>3,189,885</u>	<u>748,824</u>	<u>38,597,430</u>	<u>185,686</u>
Total Governmental Activities					
Long-Term Obligations	<u>\$36,722,821</u>	<u>\$3,211,157</u>	<u>\$1,336,548</u>	<u>\$38,597,430</u>	<u>\$185,686</u>

School Improvement Bonds 2011

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

The School District defeased the 1998 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2021, none of the refunded bonds were outstanding.

The capital appreciation bond matured in fiscal year 2021. The maturity amount of the capital appreciation bond was \$575,000. The capital appreciation bond was paid from the debt service fund. For fiscal year 2021, the capital appreciation bond was accreted \$21,272.

\$150,890 has been recorded as an intangible right to use equipment. Due to the implementation of GASB Statement No. 87, this lease for equipment met the criteria of a lease thus requiring it to be recorded by the School District. This asset will be amortized over the lease term since it is shorter than the useful life due to the School District not taking ownership of the equipment. The lease will end in fiscal year 2026. A summary of the principal and interest amounts for the remaining lease is as follows:

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Year	Principal	Interest	Total
2022	\$28,794	\$2,679	\$31,473
2023	29,493	1,980	31,473
2024	30,210	1,263	31,473
2025	30,943	530	31,473
2026	5,230	17	5,247
	\$124,670	\$6,469	\$131,139

Compensated absences will be paid from the General Fund and the Food Service, Student Wellness, Elementary and Secondary School Emergency Relief Fund, Title VI-B, and Title I special revenue funds. There is no repayment schedule for the net pension/OPEB liability. However, employer pension contributions are made from the following funds: General, Food Service, Student Wellness, Title VI-B, and Title I. For additional information related to the net pension/OPEB liability see Notes 11 and 12.

The School District's overall legal debt margin was \$26,373,422 with an unvoted debt margin of \$293,038 at June 30, 2021.

NOTE 15 – INTERFUND ACTIVITY

As of June 30, 2021, receivables and payables that resulted from various interfund transactions were as follows:

Payable	Receivable
Elementary and Secondary School Emergency Relief Fund	\$533,336
Nonmajor Governmental Funds	230,880
Total	\$764,216

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

Transfers of \$2,385,603 from the nonmajor Debt Service Fund to the nonmajor Permanent Improvement Fund were made during the fiscal year to close the Debt Service Fund and pay for additional permanent improvements.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META)

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium and a regional council of governments. META is an

Western Brown Local School District
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For the Fiscal Year Ended June 30, 2021

educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and twelve board members who represent the members of META. The Board works with META's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid META \$148,421 for services provided during the fiscal year. Financial information can be obtained from META Solutions at 100 Executive Drive, Marion Ohio 43302.

Hamilton/Clermont Cooperative (HCC)

The School District participates in the two county Council of Governments that operates the Hamilton/Clermont Cooperative (HCC). HCC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of HCC consists of one representative from each of the participating members. The School District paid \$436,268 for services provided during the fiscal year. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Complete financial statements for HCC can be obtained from the Hamilton County Educational Service Center at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

Unified Purchasing Cooperative of the Ohio River Valley

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

The Board of Directors is elected from among the active members and consists of one representative each from Brown, Butler, Clermont and Hamilton Counties, as well as one representative from Kentucky, one from Indiana, and one at-large representative from a public school district with an enrollment greater than 5,000 students. In addition, the superintendents of the Hamilton County Educational Service Center and the Clermont County Educational Service Center also serve on the Board of Directors. The Hamilton County Educational Service Center serves as fiscal agent. Sixty days prior notice is necessary for withdrawal from the UPC. The Board exercises total control over the operations of UPC including budgeting, appropriating,

Western Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from the Hamilton County Educational Service Center at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

Southern Hills Joint Vocational School District

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

Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 132 school districts and educational service centers in 18 counties. The purpose of the Council 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. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Council exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Council. Starting in fiscal year 2017, SOEPC began waiving the membership dues. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 17 – PUBLIC ENTITY SHARED RISK POOL

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville–Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local

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and Lynchburg–Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members’ employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district’s dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district’s claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 9231 Hamer Rd., Georgetown, Ohio 45121.

NOTE 18 – INSURANCE PURCHASING POOL

Ohio SchoolComp Workers’ Compensation Group Rating Plan

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

NOTE 19 – SET-ASIDE CALCULATIONS

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

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

	Capital Acquisition
Set-aside Balance as of June 30, 2020	\$0
Current Fiscal Year Set-aside Requirement	520,430
Qualifying Disbursements	(520,430)
Set-aside Balance as of June 30, 2021	\$0

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

NOTE 20 – SIGNIFICANT COMMITMENTS

Encumbrances

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

General Fund	\$578,550
Elementary and Secondary School Emergency Relief Fund	49,240
Nonmajor Governmental Funds	<u>87,284</u>
Total	<u><u>\$715,074</u></u>

NOTE 21 – FUND BALANCES

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

Western Brown Local School District
Notes to the Basic Financial Statements
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Fund Balances	General Fund	Elementary and Secondary School Emergency Relief Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>				
Prepays	\$36,739	\$0	\$0	\$36,739
Inventory	0	0	15,292	15,292
<i>Total Nonspendable</i>	36,739	0	15,292	52,031
<i>Restricted for:</i>				
Classroom Facilities	0	0	1,917,961	1,917,961
District Managed Activities	0	0	129,654	129,654
Miscellaneous Grants	0	0	1,130,064	1,130,064
Scholarships	0	0	49,576	49,576
Student Managed Activities	0	0	153,995	153,995
Capital Outlay	0	0	2,385,603	2,385,603
<i>Total Restricted</i>	0	0	5,766,853	5,766,853
<i>Assigned to:</i>				
Purchases on Order	213,939	0	0	213,939
Principal's Discretion	76,811	0	0	76,811
Future Appropriations	2,574,956	0	0	2,574,956
<i>Total Assigned</i>	2,865,706	0	0	2,865,706
<i>Unassigned (Deficit):</i>	17,953,072	(542,363)	(96,964)	17,313,745
<i>Total Fund Balances</i>	\$20,855,517	(\$542,363)	\$5,685,181	\$25,998,335

NOTE 22 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments

Western Brown Local School District
Notes to the Basic Financial Statements
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for fiscal year 2021 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2021 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of the School District.

Litigation

The School District is not currently party to any pending litigation.

NOTE 23 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

NOTE 24 – SUBSEQUENT EVENTS

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$23,811 in revenues and expenditures/expenses related to these programs. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each School District. The School District's State core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's Proportion of the Net Pension Liability	0.11726940%	0.11299760%	0.11572450%
School District's Proportionate Share of the Net Pension Liability	\$7,756,446	\$6,760,845	\$6,627,757
School District's Covered Payroll	\$4,111,207	\$3,719,578	\$3,862,126
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	188.67%	181.76%	171.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.12159580%	0.11549030%	0.11069680%	0.11289400%	0.11289400%
\$7,265,081	\$8,452,823	\$6,316,463	\$5,713,501	\$6,713,444
\$4,095,836	\$3,238,014	\$3,346,921	\$3,280,473	\$2,959,458
177.38%	261.05%	188.72%	174.17%	226.85%
69.50%	62.98%	69.16%	71.70%	65.52%

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

	2021	2020
School District's Proportion of the Net OPEB Liability	0.11547050%	0.11330760%
School District's Proportionate Share of the Net OPEB Liability	\$2,509,551	\$2,849,448
School District's Covered Payroll	\$4,111,207	\$3,719,578
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	61.04%	76.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.11701270%	0.12300960%	0.11652050%
\$3,246,248	\$3,301,255	\$3,321,265
\$3,862,126	\$4,095,836	\$3,238,014
84.05%	80.60%	102.57%
13.57%	12.46%	11.49%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's Proportion of the Net Pension Liability	0.10895305%	0.11110639%	0.10956611%
School District's Proportionate Share of the Net Pension Liability	\$26,362,762	\$24,570,510	\$24,091,128
School District's Covered Payroll	\$13,325,300	\$13,277,743	\$12,500,343
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	197.84%	185.05%	192.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.11002868%	0.10762550%	0.10587137%	0.10757315%	0.10757315%
\$26,137,549	\$36,025,499	\$29,259,751	\$26,165,514	\$31,168,188
\$12,004,621	\$13,230,543	\$10,966,657	\$11,338,085	\$11,352,200
217.73%	272.29%	266.81%	230.78%	274.56%
75.30%	66.80%	72.10%	74.70%	69.30%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's Proportion of the Net OPEB Liability (Asset)	0.10895305%	0.11110639%	0.10956611%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,914,849)	(\$1,840,188)	(\$1,760,616)
School District's Covered Payroll	\$13,325,300	\$13,277,743	\$12,500,343
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	(14.37%)	(13.86%)	(14.08%)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>
0.11002868%	0.10762550%
\$4,292,913	\$5,755,840
\$12,004,621	\$13,230,543
35.76%	43.50%
47.10%	37.30%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Net Pension Liability:</u>				
Contractually Required Contribution	\$598,525	\$575,569	\$502,143	\$521,387
Contributions in Relation to the Contractually Required Contribution	<u>(598,525)</u>	<u>(575,569)</u>	<u>(502,143)</u>	<u>(521,387)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,275,179	\$4,111,207	\$3,719,578	\$3,862,126
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>
<u>Net OPEB Liability:</u>				
Contractually Required Contribution (2)	\$72,699	\$44,763	\$76,075	\$80,795
Contributions in Relation to the Contractually Required Contribution	<u>(72,699)</u>	<u>(44,763)</u>	<u>(76,075)</u>	<u>(80,795)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.70%</u>	<u>1.09%</u>	<u>2.05%</u>	<u>2.09%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.70%</u>	<u>15.09%</u>	<u>15.55%</u>	<u>15.59%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$573,417	\$453,322	\$441,124	\$454,674	\$409,589	\$416,926
<u>(573,417)</u>	<u>(453,322)</u>	<u>(441,124)</u>	<u>(454,674)</u>	<u>(409,589)</u>	<u>(416,926)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,095,836	\$3,238,014	\$3,346,921	\$3,280,473	\$2,959,458	\$3,099,819
<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>
\$65,276	\$0	\$27,445	\$4,593	\$4,735	17,049
<u>(65,276)</u>	<u>0</u>	<u>(27,445)</u>	<u>(4,593)</u>	<u>(4,735)</u>	<u>(17,049)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.59%</u>	<u>0.00%</u>	<u>0.82%</u>	<u>0.14%</u>	<u>0.16%</u>	<u>0.55%</u>
<u>15.59%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Net Pension Liability:</u>				
Contractually Required Contribution	\$1,916,742	\$1,865,542	\$1,858,884	\$1,750,048
Contributions in Relation to the Contractually Required Contribution	<u>(1,916,742)</u>	<u>(1,865,542)</u>	<u>(1,858,884)</u>	<u>(1,750,048)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$13,691,014	\$13,325,300	\$13,277,743	\$12,500,343
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<u>Net OPEB Liability:</u>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$1,680,647	\$1,852,276	\$1,535,332	\$1,473,951	\$1,475,786	\$1,563,006
<u>(1,680,647)</u>	<u>(1,852,276)</u>	<u>(1,535,332)</u>	<u>(1,473,951)</u>	<u>(1,475,786)</u>	<u>(1,563,006)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$12,004,621	\$13,230,543	\$10,966,657	\$11,338,085	\$11,352,200	\$12,023,123
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$113,381	\$113,522	\$120,231
<u>0</u>	<u>0</u>	<u>0</u>	<u>(113,381)</u>	<u>(113,522)</u>	<u>(120,231)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Western Brown Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

NET PENSION LIABILITY

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions - STRS

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

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3.0 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Western Brown Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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

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

NET OPEB LIABILITY

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

Western Brown Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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

Changes in Benefit Terms – STRS OPEB

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

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

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

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

**WESTERN BROWN LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	3L60	\$89,080	\$89,080
Cash Assistance:				
National School Breakfast Program	10.553	3L70	\$339,723	\$339,723
National School Breakfast Program: COVID-19	10.553	3L70	\$42,271	\$42,271
National School Lunch Program	10.555	3L60	\$583,995	\$562,732
National School Lunch Program: COVID-19	10.555	3L60	\$80,375	\$80,375
Total U.S. Department of Agriculture - Total Child Nutrition Cluster			<u>\$1,135,444</u>	<u>\$1,114,181</u>
U.S. DEPARTMENT OF DEFENSE (ARMY)				
<i>Direct Program</i>				
National Guard Civilian Youth Opportunities	12.404	N/A	\$62,919	\$62,919
Total Department of Defense (Army)			<u>\$62,919</u>	<u>\$62,919</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Preschool Grants	84.173	3C50-2021	\$2,150	\$4,762
Special Education Grants to States	84.027	3M20 - 2021	\$8,807	\$8,868
Special Education Grants to States	84.027	3M20 - 2020	\$112,715	\$105,147
Special Education Grants to States	84.027	3M20 - 2021	\$518,980	\$548,379
Total Special Education Grants to State Cluster			<u>\$642,652</u>	<u>\$667,156</u>
Title I Grants to Local Education Agencies	84.010	3M00 - 2020	\$108,594	\$104,636
Title I Grants to Local Education Agencies	84.010	3M00 - 2021	\$652,292	\$685,095
Total Title I Grants to Local Educational Agencies			<u>\$760,886</u>	<u>\$789,731</u>
Supporting Effective Instruction State Grants	84.367	3Y60 - 2020	\$2,700	\$2,700
Supporting Effective Instruction State Grants	84.367	3Y60 - 2021	\$65,671	\$82,845
Total Supporting Effective Instruction State Grants			<u>\$68,371</u>	<u>\$85,545</u>
Title IV-A Student Support and Academic Enrichment	84.424A	3H10-2020	\$1,046	\$1,046
Title IV-A Student Support and Academic Enrichment	84.424A	3H10-2021	\$47,203	\$72,799
Total Title IV-A Student Support and Academic Enrichment			<u>\$48,249</u>	<u>\$73,845</u>
Small, Rural School Achievement Program	84.358	3Y80-2020	\$7,687	\$7,687
Total Small, Rural School Achievement Program			<u>\$7,687</u>	<u>\$7,687</u>
Striving Readers Comprehensive Grant	84.371	3FE0-2020	\$7,500	\$6,500
Striving Readers Comprehensive Grant	84.371	3FE0-2021	\$17,923	\$47,015
Total Striving Readers Comprehensive Grant			<u>\$25,423</u>	<u>\$53,515</u>
Elementary and Secondary School Emergency Relief Fund - COVID 19	84.425D	3HS0-2021	\$420,939	\$426,564
Elementary and Secondary School Emergency Relief Fund - COVID 19	84.425D	3HS0-2021	0	\$477,870
Total ESSER Grant			<u>\$420,939</u>	<u>\$904,434</u>
Total U.S. Department of Education			<u>\$1,974,207</u>	<u>\$2,581,913</u>
U.S. Department of Treasury				
<i>Passed Through Ohio Department of Education:</i>				
Coronavirus Relief Fund - COVID 19	21.019	CRF-2021	\$169,248	\$172,124
Total Coronavirus Relief Fund			<u>\$169,248</u>	<u>\$172,124</u>
Total Expenditures of Federal Awards			<u>\$3,341,818</u>	<u>\$3,931,137</u>

The accompanying notes are an integral part of this schedule.

**WESTERN BROWN LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Western Brown Local School District, Brown County, Ohio (the District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Brown Local School District, Brown County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 1, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
August 1, 2022

OHIO AUDITOR OF STATE KEITH FABER



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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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Western Brown Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Western Brown Local School District's major federal programs for the year ended June 30, 2021. 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 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 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, Western Brown Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2021.

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
August 1, 2022

**WESTERN BROWN LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	84.425D - ESSER 84.010 - Title 1
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



WESTERN BROWN LOCAL SCHOOL DISTRICT

BROWN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/18/2022

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

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