

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

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010***

**DEREK NOTTINGHAM, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Brown Local School District  
401 West Main Street Malvern, Ohio 44644

We have reviewed the *Independent Auditor's Report* of the Brown Local School District, Carroll County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Brown Local School District is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

January 19, 2011

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

BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Brown Local School District  
401 West Main Street  
Malvern, Ohio 44644

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown Local School District, Carroll County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Brown Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Brown Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. These standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown Local School District, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District has reported a prior period adjustment to its General fund and Other Governmental fund balances at June 30, 2009 due to the implementation of GASB Statement No. 54.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010 on our consideration of the Brown Local School 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report  
Brown Local School District  
Page Two

We conducted our audit to opine on the financial statements that collectively comprise the Brown Local School District's basic financial statements. The schedule of receipts and expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. We subjected the schedule of receipts and expenditures of federal awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 10, 2010

**Brown Local School District**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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The management's discussion and analysis of the 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, 2010. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

- Ohio House Bill 1 established a new funding model for public schools.
- The American Recovery and Reinvestment Act provided "stimulus" money through providing additional funds under the current federal programs, IDEA, Part B for special education and Title I for at-risk student intervention services. It also included funds through the School Fiscal Stabilization Fund; however, these funds were not additional monies. Instead they supplemented the reduction of State foundation fund.
- Voters approved the five year renewal of an existing \$700,000 emergency operating levy.
- Personal service costs were reduced through the attrition of four teaching positions and one administration position.
- A base salary freeze was in effect for all School District employees for fiscal year 2010.
- An additional special education teacher was added to the Middle School/High School. This position was created through additional federal stimulus dollars through the IDEA, Part B grant.
- Capital outlay expenditures were significantly reduced through careful monitoring and making only necessary repairs/purchases.

### **Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 assets* and *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 most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund and permanent improvement capital projects fund are by far the most significant funds, and the only governmental funds reported as major funds.

**Brown Local School District**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2010?” The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s *net assets* and changes in those assets. This change in net assets 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. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

On the statement of net assets and in the statement of activities, the governmental activities include the School District’s programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The School District’s statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the School District’s Most Significant Funds**

*Fund Financial Statements*

The analysis of the School District’s major governmental funds begins on page 9. 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 most significant funds. The School District’s major governmental funds are the general fund and permanent improvement capital projects fund.

*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 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* than can readily be converted to cash. The governmental fund financial 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported on the statement of net assets and in the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**Brown Local School District**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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***Proprietary Funds***

The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for medical/surgical, vision and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

The School District is the trustee, or fiduciary, for college scholarship programs. This activity is presented as a private-purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-47 of this report.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. The table below provides a summary of the School District's net assets for 2009 and 2010.

	<b>Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2010
<b><u>Assets</u></b>		
Current and Other Assets	\$6,618,915	\$7,433,931
Capital Assets, Net	1,088,214	986,531
Total Assets	7,707,129	8,420,462
<b><u>Liabilities</u></b>		
Current Liabilities	2,627,834	3,511,052
Long-Term Liabilities	436,136	430,896
Total Liabilities	3,063,970	3,941,948
<b><u>Net Assets</u></b>		
Invested in Capital		
Assets, Net of Related Debt	1,017,101	931,243
Restricted	724,929	822,075
Unrestricted	2,901,129	2,725,196
Total Net Assets	\$4,643,159	\$4,478,514

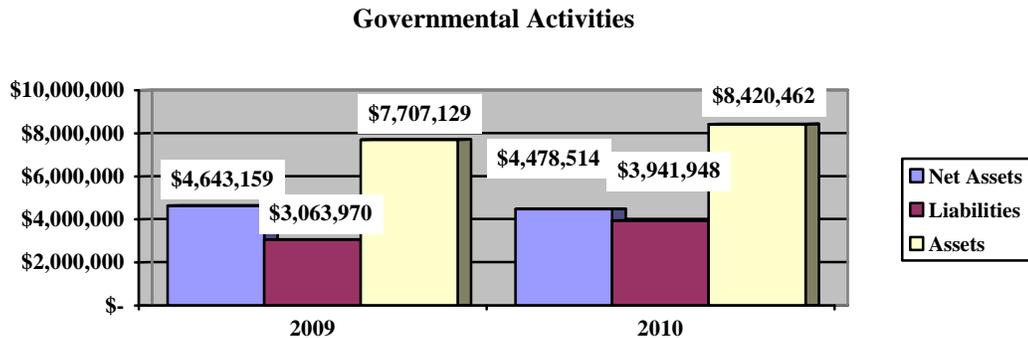
**Brown Local School District**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the School District's assets exceeded liabilities by \$4,478,514. Of this total, \$2,725,196 is unrestricted in use.

At year-end, capital assets represented 11.72 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets at June 30, 2010, were \$986,531. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the School District's net assets, \$822,075, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,725,196 may be used to meet the School District's ongoing obligations to the students and creditors.

The graph below presents the School District's governmental activities net assets, liabilities and assets for fiscal years 2009 and 2010:



The table below shows the change in net assets for fiscal year 2009 and 2010.

	<b>Change in Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2010
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$620,754	\$578,206
Operating Grants and Contributions	841,754	1,131,817
Capital Grants and Contributions	7,168	9,592
General Revenues:		
Property Taxes	3,360,631	2,562,190
Revenue in Lieu of Taxes	6,137	0
Grants and Entitlements	3,210,428	3,081,475
Investment Earnings	75,344	58,965
Other	34,198	26,370
<b>Total Revenues</b>	<b>\$8,156,414</b>	<b>\$7,448,615</b>

(continued)

**Brown Local School District**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

	<b>Change in Net Assets</b>	
	Governmental	Governmental
	Activities	Activities
	2009	2010
<b><u>Expenses</u></b>		
Program Expenses:		
Instruction:		
Regular	\$4,077,258	\$4,006,648
Special	313,224	487,132
Vocational	0	53,883
Support services:		
Pupils	256,579	244,918
Instructional Staff	309,289	362,591
Board of Education	207,374	197,633
Administration	731,768	590,802
Fiscal	152,734	150,307
Business	0	5,234
Operations and Maintenance	526,831	539,502
Pupil Transportation	307,594	332,923
Central	8,834	10,430
Food Service Operations	316,712	336,204
Extracurricular Activities	303,850	291,631
Interest and Fiscal Charges	2,434	3,422
Total Expenses	<u>7,514,481</u>	<u>7,613,260</u>
Change in Net Assets	641,933	(164,645)
Net Assets at Beginning of Year	<u>4,001,226</u>	<u>4,643,159</u>
Net Assets at End of Year	<u><u>\$4,643,159</u></u>	<u><u>\$4,478,514</u></u>

**Governmental Activities**

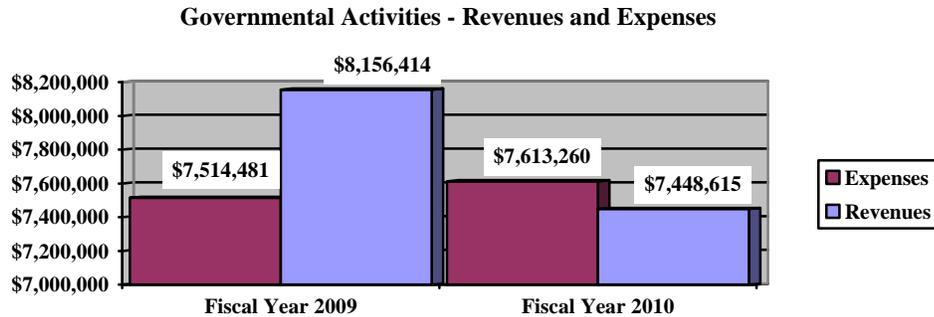
Net assets of the School District's governmental activities decreased \$164,645. Total governmental expenses of \$7,613,260 were offset by program revenues of \$1,719,615 and general revenues of \$5,729,000. Program revenues supported 22.59 percent of the total governmental expenses.

The primary sources of general revenues for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 75.77 percent of total governmental revenue. Operating grants and contributions program revenue represents 15.19 percent of total governmental revenue. The decrease in tax revenue is caused by a combination of the phase out of personal property tax and the application of GAAP including the requirement to record tax revenue for amounts collected by the County Auditor at June 30 and available to the School District as an advance. The amount available at June 30, 2010 was \$63,000 compared to \$921,500 at June 30, 2009.

The largest expense of the School District is for instructional programs. Instruction expenses totaled \$4,547,663 or 59.73 percent of total governmental expenses for fiscal year 2010.

**Brown Local School District**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

The graph below presents the School District's governmental activities revenue and expenses for fiscal year 2009 and 2010.



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

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2010	Net Cost of Services 2010
<b>Program Expenses</b>				
Instruction:				
Regular	\$4,077,258	\$3,557,495	\$4,006,648	\$3,134,372
Special	313,224	66,196	487,132	357,621
Vocational	0	0	53,883	43,012
Support Services:				
Pupils	256,579	120,538	244,918	93,428
Instructional Staff	309,289	256,164	362,591	312,378
Board of Education	207,374	207,374	197,633	197,633
Administration	731,768	726,768	590,802	585,802
Fiscal	152,734	152,734	150,307	150,307
Business	0	0	5,234	5,234
Operations and Maintenance	526,831	514,663	539,502	527,410
Pupil Transportation	307,594	300,585	332,923	332,923
Central	8,834	8,834	10,430	10,430
Food Service Operations	316,712	(40,013)	336,204	(29,981)
Extracurricular Activities	303,850	171,033	291,631	169,654
Interest and Fiscal Charges	2,434	2,434	3,422	3,422
<b>Total Expenses</b>	<b>\$7,514,481</b>	<b>\$6,044,805</b>	<b>\$7,613,260</b>	<b>\$5,893,645</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 77.73 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.41 percent. The School District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for School District's students.

**Brown Local School District**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

**The School District's Funds**

The School District's governmental funds reported a combined fund balance of \$2,696,879 which is less than last year's total of \$3,014,593. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2010.

	Fund Balance June 30, 2009	Fund Balance June 30, 2010	Increase/ (Decrease)	Percentage Change
General	\$2,319,446	\$1,962,441	(\$357,005)	(15.39) %
Permanent Improvement				
Capital Projects Fund	523,994	565,533	41,539	7.93 %
Other Governmental Funds	171,153	168,905	(2,248)	(1.31) %
<b>Total</b>	<b>\$3,014,593</b>	<b>\$2,696,879</b>	<b>(\$317,714)</b>	<b>(10.54) %</b>

**General Fund**

The School District's general fund balance decreased \$357,005. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 Amount	2010 Amount	Increase/ (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Property Taxes	\$3,318,653	\$2,510,757	(\$807,896)	(24.34) %
Intergovernmental	3,341,594	3,196,599	(144,995)	(4.34) %
Interest	58,802	33,197	(25,605)	(43.54) %
Tuition	344,218	325,488	(18,730)	(5.44) %
Other Revenues	32,623	58,396	25,773	79.00 %
<b>Total Revenues</b>	<b>\$7,095,890</b>	<b>\$6,124,437</b>	<b>(\$971,453)</b>	<b>(13.69) %</b>
<b><u>Expenditures</u></b>				
Instruction	\$4,244,157	\$4,040,097	(\$204,060)	(4.81) %
Support Services	2,252,265	2,228,635	(23,630)	(1.05) %
Extracurricular Activities	171,480	193,463	21,983	12.82 %
Debt Service	11,436	19,247	7,811	68.30 %
<b>Total Expenditures</b>	<b>\$6,679,338</b>	<b>\$6,481,442</b>	<b>(\$197,896)</b>	<b>(3.05) %</b>

Tax revenue decreased \$807,896 from the prior year, due to a combination of the phase out of personal property tax and the application of GAAP. Interest decreased \$25,605, which can be attributed to lower interest rates and lower deposits in interest-bearing accounts. The decrease in tuition revenue is primarily due to the billing and collection of excess cost for special education students enrolled into our School District from surrounding districts. The decrease in instruction is due to reduction of four teaching positions through attrition. The decrease in support services can be attributed to the School District's reduced maintenance and equipment expenditures during fiscal year 2010.

**Brown Local School District**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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***Permanent Improvement Capital Projects Fund***

The permanent improvement capital projects fund had \$48,982 in revenues and \$7,443 in expenditures. During fiscal year 2010, the permanent improvement fund's fund balance increased \$41,539 from \$523,944 to \$565,533.

***General Fund Budgeting 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 2010, the School District amended its general fund budget several times. For the general fund, original budgeted revenues were \$6,873,317 and final budgeted revenues were \$6,880,220. Actual revenues for fiscal year 2010 totaled \$6,965,521. This represents a \$85,301 increase from final budgeted revenues due to unexpected increases in property tax revenue.

General fund original appropriations of \$7,030,777 were decreased to \$6,923,576 in the final appropriations. The actual budget basis expenditures for fiscal year 2010 totaled \$6,527,494, which was \$396,082 less than the final budget appropriations due to reduced spending in several areas such as capital outlay and administrative expenses. Personnel costs were below budget also due to conservative budgeting.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2010, the School District had \$986,531 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2010:

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

	Governmental Activities	
	2009	2010
Land	\$87,317	\$87,317
Land Improvements	144,755	137,888
Building and Improvements	546,472	486,402
Furniture and Equipment	154,154	140,778
Vehicles	155,516	134,146
Total	\$1,088,214	\$986,531

The overall decrease in capital assets of \$101,683 is due to primarily to depreciation expense.

See Note 11 to the basic financial statements for additional information on the School District's capital assets.

**Brown Local School District**  
*Management Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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***Debt Administration***

At June 30, 2010, the School District had a capital lease obligation of \$55,288 outstanding. The lease is comprised of two copier leases. \$16,732 of the capital lease obligation is due within one year, while \$38,556 is due in greater than one year.

**Outstanding Debt at June 30**

	Governmental Activities 2009	Governmental Activities 2010
Capital Leases	\$71,113	\$55,288

At June 30, 2010, the School District's overall legal debt margin was \$10,652,806 and the unvoted debt margin was \$118,365.

See Note 15 to the basic financial statements for additional information on the School District's debt administration.

**Current Financial Related Activities**

A 4.7 mil Renewal Emergency Operating Levy was passed in May 2009 generating \$523,000 for ten years. A 5.62 mil Renewal Emergency Operating Levy was passed in November 2009 generating \$700,000 for five years.

In July 2009 House Bill 1 was passed which overhauls the way that State support of schools is calculated. Along with this major overhaul of the funding model, State foundation revenues were reduced by approximately 6 percent during fiscal year 2009. This reduction was approximately 7 percent in fiscal year 2010. Although these reductions are being supplemented with Federal stimulus dollars through the American Recovery and Reinvestment Act, after fiscal year 2010 these supplemented funds are not guaranteed. With the current state of the economy, it is not anticipated that the State will be able to make up these reductions. In all reality, State funding may take additional cuts with the next biennium budget. Although there is potential for improvement of State funding within the new House Bill 1 funding structure, at this point it is not fully funded so the full impact remains to be realized. With all of these changes, concerns arise as to what the future will hold in these difficult economic times. The School District continues to monitor the expenditures to ensure that all public funds received are spent in an efficient and effective manner.

**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 questions about this report or need additional financial information contact: Mr. Derek Nottingham, Brown Local School District, 401 West Main Street, Malvern, Ohio 44644.

# Brown Local School District

## Statement of Net Assets

June 30, 2010

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,382,235
Cash and Cash Equivalents with Fiscal Agents	1,131,137
Accounts Receivable	790
Intergovernmental Receivable	79,885
Materials and Supplies Inventory	12,892
Property Taxes Receivable	2,826,992
Nondepreciable Capital Assets	87,317
Depreciable Capital Assets, Net	899,214
<i>Total Assets</i>	<u>8,420,462</u>
<b>Liabilities</b>	
Accounts Payable	24,818
Accrued Wages and Benefits	561,914
Intergovernmental Payable	176,823
Deferred Revenue	2,664,488
Claims Payable	83,009
Long-Term Liabilities:	
Due Within One Year	69,736
Due In More Than One Year	361,160
<i>Total Liabilities</i>	<u>3,941,948</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	931,243
Restricted for:	
Capital Projects	567,356
Set Aside	3,508
Food Service	149,518
District Managed Student Activities	63,840
At-Risk Student Intervention Services	33,901
Special Education Services	3,952
Unrestricted	2,725,196
<i>Total Net Assets</i>	<u><u>\$4,478,514</u></u>

See accompanying notes to the basic financial statements



**Brown Local School District***Balance Sheet  
Governmental Funds  
June 30, 2010*

	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,554,473	\$564,215	\$260,039	\$3,378,727
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	3,508	0	0	3,508
Accounts Receivable	790	0	0	790
Intergovernmental Receivable	3,048	0	76,837	79,885
Materials and Supplies Inventory	0	0	12,892	12,892
Property Taxes Receivable	2,768,111	58,881	0	2,826,992
<i>Total Assets</i>	<u>\$5,329,930</u>	<u>\$623,096</u>	<u>\$349,768</u>	<u>\$6,302,794</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$15,685	\$0	\$9,133	\$24,818
Accrued Wages and Benefits	486,649	0	75,265	561,914
Intergovernmental Payable	155,678	0	21,145	176,823
Deferred Revenue	2,709,477	57,563	75,320	2,842,360
<i>Total Liabilities</i>	<u>3,367,489</u>	<u>57,563</u>	<u>180,863</u>	<u>3,605,915</u>
<b>Fund Balances</b>				
Nonspendable	0	0	12,892	12,892
Restricted	3,508	565,533	200,466	769,507
Committed	207,240	0	0	207,240
Assigned	42,929	0	0	42,929
Unassigned (Deficit)	1,708,764	0	(44,453)	1,664,311
<i>Total Fund Balances</i>	<u>1,962,441</u>	<u>565,533</u>	<u>168,905</u>	<u>2,696,879</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,329,930</u>	<u>\$623,096</u>	<u>\$349,768</u>	<u>\$6,302,794</u>

See accompanying notes to the basic financial statements

**Brown Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2010*

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**Total Governmental Fund Balances** \$2,696,879

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

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

Capital Assets, not being depreciated	87,317	
Capital Assets, being depreciated	4,209,303	
Accumulated Depreciation	(3,310,089)	
Total		986,531

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Delinquent Property Taxes	99,504	
Intergovernmental	78,368	
Total		177,872

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 1,048,128

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Capital Lease Payable	(55,288)	
Compensated Absences	(375,608)	
Total		(430,896)

*Net Assets of Governmental Activities* \$4,478,514

See accompanying notes to the basic financial statements

**Brown Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$2,510,757	\$41,890	\$0	\$2,552,647
Intergovernmental	3,196,599	7,092	965,267	4,168,958
Interest	33,197	0	152	33,349
Tuition and Fees	325,488	0	0	325,488
Extracurricular Activities	26,839	0	110,182	137,021
Rentals	5,000	0	0	5,000
Charges for Services	0	0	110,697	110,697
Contributions and Donations	3,790	0	0	3,790
Miscellaneous	22,767	0	555	23,322
<i>Total Revenues</i>	<u>6,124,437</u>	<u>48,982</u>	<u>1,186,853</u>	<u>7,360,272</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,563,068	0	497,955	4,061,023
Special	423,146	0	67,516	490,662
Vocational	53,883	0	0	53,883
Support Services:				
Pupils	114,532	0	132,958	247,490
Instructional Staff	318,162	0	47,139	365,301
Board of Education	197,633	0	0	197,633
Administration	624,870	0	5,263	630,133
Fiscal	156,045	0	0	156,045
Business	5,234	0	0	5,234
Operation and Maintenance of Plant	478,241	5,601	0	483,842
Pupil Transportation	323,488	0	0	323,488
Central	10,430	0	0	10,430
Food Service Operations	0	0	345,779	345,779
Extracurricular Activities	193,463	0	92,491	285,954
Capital Outlay	0	1,842	0	1,842
Debt Service:				
Principal Retirement	15,825	0	0	15,825
Interest and Fiscal Charges	3,422	0	0	3,422
<i>Total Expenditures</i>	<u>6,481,442</u>	<u>7,443</u>	<u>1,189,101</u>	<u>7,677,986</u>
<i>Net Change in Fund Balances</i>	(357,005)	41,539	(2,248)	(317,714)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>2,319,446</u>	<u>523,994</u>	<u>171,153</u>	<u>3,014,593</u>
<i>Fund Balances End of Year</i>	<u>\$1,962,441</u>	<u>\$565,533</u>	<u>\$168,905</u>	<u>\$2,696,879</u>

See accompanying notes to the basic financial statements

**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, 2010*

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**Net Change in Fund Balances - Total Governmental Funds** (317,714)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	12,749	
Current Year Depreciation	<u>(114,232)</u>	
Total		(101,483)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (200)

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

Delinquent Property Taxes	9,543	
Intergovernmental	<u>53,184</u>	
Total		62,727

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 15,825

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds. (10,585)

The internal service fund used by management to charge the cost of health insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for the governmental funds is reported for the year. 186,785

*Change in Net Assets of Governmental Activities* (\$164,645)

See accompanying notes to the basic financial statements

**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, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget		
<b>Revenues</b>				
Property Taxes	\$3,149,082	\$3,225,000	\$3,354,027	\$129,027
Intergovernmental	3,358,500	3,282,582	3,196,599	(85,983)
Interest	50,000	50,000	31,801	(18,199)
Tuition and Fees	280,000	280,000	325,488	45,488
Extracurricular Activities	20,235	27,138	26,839	(299)
Rentals	5,000	5,000	5,000	0
Contributions and Donations	0	0	3,790	3,790
Miscellaneous	10,500	10,500	21,977	11,477
<i>Total Revenues</i>	6,873,317	6,880,220	6,965,521	85,301
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,042,102	3,812,268	3,627,504	184,764
Special	429,049	429,852	421,373	8,479
Vocational	6,500	50,902	45,022	5,880
Support Services:				
Pupils	147,729	149,917	114,508	35,409
Instructional Staff	317,931	334,750	311,747	23,003
Board of Education	236,337	231,938	197,873	34,065
Administration	630,137	658,120	654,156	3,964
Fiscal	160,411	157,623	156,306	1,317
Business	0	5,500	5,234	266
Operation and Maintenance of Plant	505,219	519,365	479,219	40,146
Pupil Transportation	319,882	320,272	314,496	5,776
Central	22,500	33,806	10,430	23,376
Extracurricular Activities	212,980	219,263	189,626	29,637
<i>Total Expenditures</i>	7,030,777	6,923,576	6,527,494	396,082
<i>Net Change in Fund Balance</i>	(157,460)	(43,356)	438,027	481,383
<i>Fund Balance Beginning of Year (Restated)</i>	2,003,336	2,003,336	2,003,336	0
Prior Year Encumbrances Appropriated (Restated)	64,765	64,765	64,765	0
<i>Fund Balance End of Year</i>	\$1,910,641	\$2,024,745	\$2,506,128	\$481,383

See accompanying notes to the basic financial statements

**Brown Local School District**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*June 30, 2010*

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	<u>Insurance</u>
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agents	\$1,131,137
<b>Liabilities</b>	
Claims Payable	<u>83,009</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$1,048,128</u></u>

See accompanying notes to the basic financial statements

**Brown Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2010*

	Insurance
<b>Operating Revenues</b>	
Charges for Services	\$1,124,982
<b>Operating Expenses</b>	
Purchased Services	260,330
Claims	703,483
<i>Total Operating Expenses</i>	963,813
<i>Operating Income</i>	161,169
<b>Non-Operating Revenues</b>	
Interest	25,616
<i>Change in Net Assets</i>	186,785
<i>Net Assets Beginning of Year</i>	861,343
<i>Net Assets End of Year</i>	\$1,048,128

See accompanying notes to the basic financial statements

**Brown Local School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2010

	Insurance
<b>Increase in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Internal Services Provided	\$1,124,982
Cash Payments for Services	(260,330)
Cash Payments for Claims	(704,924)
<i>Net Cash Provided by Operating Activities</i>	159,728
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	25,616
<i>Net Increase in Cash and Cash Equivalents</i>	185,344
<i>Cash and Cash Equivalents Beginning of Year</i>	945,793
<i>Cash and Cash Equivalents End of Year</i>	\$1,131,137
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$161,169
Adjustments:	
Decrease in Claims Payable	(1,441)
<i>Net Cash Provided by Operating Activities</i>	\$159,728
See accompanying notes to the basic financial statements	

**Brown Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2010*

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	Private-Purpose Trust	Agency
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$10,597	<u><u>\$29,410</u></u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u><u>\$29,410</u></u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u><u>\$10,597</u></u>	

See accompanying notes to the basic financial statements

**Brown Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private-Purpose Trust Fund*  
*June 30, 2010*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$11
Gifts and Contributions	<u>3,065</u>
<i>Total Additions</i>	3,076
<b>Deductions</b>	
Scholarships Awarded	<u>1,000</u>
<i>Change in Net Assets</i>	2,076
<i>Net Assets at Beginning of Year</i>	<u>8,521</u>
<i>Net Assets at End of Year</i>	<u><u>\$10,597</u></u>

See accompanying notes to the basic financial statements

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 1 - Description of the School District**

Brown Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal agencies.

The School District is located in Malvern, Carroll County, Ohio and serves an area of approximately 33 square miles including the northwest portion of Carroll County and a small portion of southeast Stark County. It is staffed by 31 non-certified employees and 59 certified employees who provide services to 715 students and other community members. The School District operates one school building for students K-12 and one support building.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District 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 Brown Local School District, this includes the agencies and departments that provide the following services: 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. The School District has no component units.

The School District participates in the Stark-Portage Area Computer Consortium, a jointly governed organization, and the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, the Stark County Schools Council of Government and the Schools of Ohio Risk Sharing Authority, all insurance purchasing pools. These organizations are presented in Note 17 to the basic financial statements.

**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 local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The 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 assets 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 of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include 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 used 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 function is self-financing or draws from the general revenues of the School District.

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

***Fund Accounting***

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

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities 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 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 general laws of Ohio.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***Permanent Improvement Capital Projects Fund*** The permanent improvement capital projects fund accounts for restricted tax revenues from a permanent improvement levy to be used for acquisition and/or construction of major capital facilities.

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

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the School District has no enterprise funds.

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self insurance program that accounts for medical/surgical, vision and dental claims for the School District's employees.

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

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

***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 current liabilities 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, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

The private purpose trust fund is reported using a flow of economic resources measurement focus.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***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 statements presented for proprietary and 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 revenue 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 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 year when the resources are required to be used or the 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 nonexchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***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 governmental funds.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***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. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2010, investments were limited to STAROhio and nonnegotiable certificates of deposit. Nonparticipating investment contract such as nonnegotiable certificates of deposit are reported at cost.

STAROhio 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$33,197 which includes \$25,213 assigned from other School District funds.

Investments of the cash management pool and investments with a 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. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are reflected on statement of net assets as "cash and cash equivalents with fiscal agents." The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

***Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of donated food, purchased food and school supplies held for resale and materials and supplies held for consumption. Donated commodities are presented at the entitlement value.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money required by State statute to be set aside to create a reserve for the purchase of textbooks. See Note 18 for additional information regarding set asides.

***Capital Assets***

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 assets but are not reported in the fund financial statements.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market 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.

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>
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	4 - 5 years

***Compensated Absences***

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 57 or over with 2 or more years of service or employees age 52 or over with 22 or more years of service or employees with 27 or more years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the proprietary fund financial statements.

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*Notes to the Basic Financial Statements*  
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In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***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 School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the 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 amounts represent intended uses established by the School District Board of Education.

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*Notes to the Basic Financial Statements*  
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***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 balance resulting from overspending for specific purposes for the amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or 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.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

***Interfund Activity***

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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. 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.

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***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.

***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the

**Brown Local School District**  
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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 level of control selected by the Board. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

### **Note 3 – Change in Accounting Principles and Restatement of Fund Balance**

#### ***Change in Accounting Principles***

For fiscal year 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Reporting for Intangible Assets," Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This Statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will

**Brown Local School District**  
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allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

***Restatement of Prior Year's Fund Balance***

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2009	\$2,081,065	\$523,994	\$409,534	\$3,014,593
Change in Fund Structure	238,381	0	(238,381)	0
Adjusted Fund Balance at June 30, 2009	\$2,319,446	\$523,994	\$171,153	\$3,014,593

The budgetary beginning balances have also been restated to conform to the implementation of GASB Statement No. 54.

**Note 4 –Accountability**

Fund balances at June 30, 2010, included the following individual fund deficits:

<b><i>Non-Major Funds</i></b>	
EMIS Fund	\$29
Title VI-B	10,048
SFSF-ARRA	6,957
Title I	27,419

The deficits in the non-major funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, 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

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encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$357,005)
Net Adjustment for Revenue Accruals	841,084
Net Adjustment for Expenditure Accruals	4,405
Adjustment for Encumbrances	<u>(50,457)</u>
Budget Basis	<u><u>\$438,027</u></u>

**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 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.

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;

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

At June 30, 2010, the School District's self-insurance internal service fund had a cash balance of \$1,131,137 with OME-RESA, a claims servicing pool (See Note 10). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement No. 40. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, Ohio 43952.

**Investments** As of June 30, 2010, the School District only had an investment of \$475,685 in STAROhio, the State Treasurer's Investment Pool. This investment has an average maturity of 56 days.

**Interest Rate Risk** The School District's investment policy does not further restrict interest rate risk from 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 investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements shall not exceed thirty days.

**Credit Risk** STAROhio carries a credit rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

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*Notes to the Basic Financial Statements*  
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**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 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.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Carroll and Stark Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$61,682 in the general fund and \$1,318 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2009, was \$904,952 in the general fund and \$16,548 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$113,261,460	91.29%	\$113,907,050	91.86%
Public Utility Personal	4,793,440	3.86	4,246,250	3.42
General Business Personal	6,009,530	4.85	5,849,380	4.72
<b>Total</b>	<b>\$124,064,430</b>	<b>100.00%</b>	<b>\$124,002,680</b>	<b>100.00%</b>
Full Tax Rate per \$1,000 of assessed valuation:				
Operations	\$43.10		\$41.93	
Permanent Improvements	1.00		1.00	
<b>Total</b>	<b>\$44.10</b>		<b>\$42.93</b>	

**Note 8 - Contingencies**

*Grants*

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

*Litigation*

The School District is not a party to any legal proceedings.

**Note 9 - Receivables**

Receivables at June 30, 2010, consisted of taxes, accounts, and intergovernmental grants. 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, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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A summary of the principal items of intergovernmental receivables follows:

	Amount
SERS Refund	\$3,048
Food Service Subsidy	1,517
Title VI-B Grant	14,000
Title I Grant	61,320
Total	\$79,885

**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 2010, the School District contracted with SORSA (Schools of Ohio Risk Sharing Authority), a risk sharing pool, for liability, real property, building contents, boiler/machinery and vehicles. The following is a description of the School District's insurance coverage:

Type of Coverage	Coverage Amount
General Liability:	
Each Occurrence	\$2,000,000
Aggregate	4,000,000
Property/Building and Contents	18,932,487
Fleet:	
Comprehensive	Actual Cash Value
Collision	Actual Cash Value

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage from last year.

*Workers' Compensation*

For fiscal year 2010, the School District participated in the Stark County Schools Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "group savings fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

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**Self-Insurance**

The School District offers medical/surgical, vision and dental claims coverage to all employees through a self-insurance internal service fund. Self-Funded Plans, Incorporated serves as the third party administrator. The claims liability of \$83,009 reported in the internal service fund at June 30, 2010 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2009 and 2010 were:

	Beginning of Year	Year Claims	Claim Payments	End of Year
2009	\$127,396	\$1,026,865	\$1,069,811	\$84,450
2010	84,450	703,483	704,924	83,009

**Note 11- Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/2009	Additions	Deductions	Balance 6/30/2010
<b>Governmental Activities</b>				
<i>Non-Depreciable Assets</i>				
Land	\$87,317	\$0	\$0	\$87,317
<i>Depreciable Assets</i>				
Land Improvements	251,620	0	0	251,620
Building and Improvements	2,651,823	0	0	2,651,823
Furniture and Equipment	709,989	12,749	(11,295)	711,443
Vehicles	594,417	0	0	594,417
<i>Total Depreciable Assets</i>	<u>4,207,849</u>	<u>12,749</u>	<u>(11,295)</u>	<u>4,209,303</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(106,865)	(6,867)	0	(113,732)
Building and Improvements	(2,105,351)	(60,070)	0	(2,165,421)
Furniture and Equipment	(555,835)	(25,925)	11,095	(570,665)
Vehicles	(438,901)	(21,370)	0	(460,271)
<i>Total Accumulated Depreciation</i>	<u>(3,206,952)</u>	<u>(114,232) *</u>	<u>11,095</u>	<u>(3,310,089)</u>
<i>Depreciable Capital Assets, Net</i>	<u>1,000,897</u>	<u>(101,483)</u>	<u>(200)</u>	<u>899,214</u>
Governmental Activities Capital Assets, Net	<u>\$1,088,214</u>	<u>(\$101,483)</u>	<u>(\$200)</u>	<u>\$986,531</u>

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

Instruction:	
Regular	\$8,980
Support Services:	
Instructional Staff	2,423
Administration	5,040
Operation and Maintenance of Plant	66,727
Pupil Transportation	21,370
Food Service Operations	962
Extracurricular Activities	8,730
	<hr/>
Total Depreciation Expense	\$114,232
	<hr/> <hr/>

**Note 12 – Defined Benefits Pension Plans**

***School Employee Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$94,113, \$61,228, and \$60,480, respectively; 40.48 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

***State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$386,226, \$407,157, and \$397,939, respectively; 85.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$23,070 made by the School District and \$16,478 made by the plan members.

### ***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 Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

## **Note 13 – Postemployment Benefits**

### ***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$18,211, \$28,113, and \$39,654, respectively; 40.48 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$5,597, \$5,271, and \$4,358, respectively; 40.48 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

***State Teachers Retirement System***

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$29,710, \$31,320, and \$30,611, respectively; 85.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**Note 14 - Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time.

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

***Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through Self-Funded Plans, Incorporated. The Board pays the cost of the monthly premium, \$7.25 per certified employee and \$5.08 per classified employee.

**Note 15 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Outstanding 6/30/2009	Additions	Reductions	Outstanding 6/30/2010	Due in One Year
<b>Governmental Activities</b>					
Capital Leases	\$71,113	\$0	(\$15,825)	\$55,288	\$16,732
Compensated Absences	365,023	51,952	(41,367)	375,608	53,004
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$436,136</u>	<u>\$51,952</u>	<u>(\$57,192)</u>	<u>\$430,896</u>	<u>\$69,736</u>

Compensated absences will be paid from the general fund. The capital lease will be paid from the general fund.

The School District's overall debt margin was \$10,652,806 with an unvoted debt margin of \$118,365 at June 30, 2010.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 16 - Capital Leases**

The School District has two capital leases for copier machines. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases." The leased equipment is reported as a group in governmental activities at a cost of \$83,909 (\$12,866 and \$71,043, respectively); accumulated depreciation through June 30, 2010 amounted to \$24,230 (\$9,006 and \$15,224, respectively) leaving a book value of \$59,679 (\$3,860 and \$55,819, respectively). The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010. The agreements provide for minimum, annual lease payments as follows:

Year Ending June 30,	
2011	\$19,247
2012	16,915
2013	16,139
2014	8,064
Total minimum lease payments	60,365
Less: Amount representing interest	(5,077)
Present Value of Minimum Lease Payments	\$55,288

**Note 17 - Jointly Governed Organization and Public Entity Risk Pools**

*Jointly Governed Organization*

**Stark-Portage Area Computer Consortium (SPARCC)** is a jointly governed organization among 31 school districts. The jointly governed 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. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating schools districts. During fiscal year 2010, the School District paid \$38,371 to SPARCC for services rendered.

*Public Entity Risk Pools*

**The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan**, a risk-sharing, claims servicing, and insurance purchasing pool is comprised of approximately 130 members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental, vision, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. The School District's deductible limit is \$35,000. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Self-Funded Plans, Incorporated.

**The Stark County Schools Council of Government (Council)** is a shared risk pool which is governed by an assembly which consists of one representative from each participating member. The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Workers Compensation Group Rating Program (GRP), and insurance purchasing pool. Each year, the participating members pay enrollment fees to the GRP's cover the cost of administering the program.

**The Schools of Ohio Risk Sharing Authority (SORSA)** is a risk sharing insurance pool. The pool consists of sixty-two school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

**Note 18 - Set-Asides**

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balances as of June 30, 2009	(\$25,409)	\$0
Current Year Set-aside Requirement	118,269	118,269
Current Year Offsets	0	(57,120)
Qualifying Disbursements	<u>(89,352)</u>	<u>(66,134)</u>
Total	<u>\$3,508</u>	<u>(\$4,985)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$3,508</u>	<u>\$0</u>

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

The School District has qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$3,508.

**Note 19 – 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 government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Permanent Improvements Capital Projects Fund	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Inventory	\$0	\$0	\$12,892	\$12,892
<b><i>Restricted for</i></b>				
Food Service Operations	0	0	136,626	136,626
Athletics	0	0	63,840	63,840
Instructional Materials	3,508	0	0	3,508
Capital Improvements	0	565,533	0	565,533
<b><i>Total Restricted</i></b>	<b>3,508</b>	<b>565,533</b>	<b>200,466</b>	<b>769,507</b>
<b><i>Committed to</i></b>				
Future Termination Benefits	204,090	0	0	204,090
Other Purposes	3,150	0	0	3,150
<b><i>Total Committed</i></b>	<b>207,240</b>	<b>0</b>	<b>0</b>	<b>207,240</b>
<b><i>Assigned to</i></b>				
Other Purposes	42,929	0	0	42,929
<b><i>Unassigned (Deficit)</i></b>	<b>1,708,764</b>	<b>0</b>	<b>(44,453)</b>	<b>1,664,311</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,962,441</b>	<b>\$565,533</b>	<b>\$168,905</b>	<b>\$2,696,879</b>

**Note 20 – Subsequent Events**

In July 2010, the School District purchased two new school busses at a total cost of \$158,543.

Also in July 2010, the School District began a district-wide lighting project to replace all lamps and ballasts. This project will improve energy efficiency while improving the lighting within the School District. This project is being done in conjunction with the prescriptive rebate program offered through American Electric Power (AEP). Through the rebate program, AEP will reimburse the School District up to 50 percent of the total cost of the project (materials and labor). The approved bid totaled \$44,799, and AEP has approved the reserved rebate amount of \$21,902.95 based upon the initial bid specifications.

## **SUPPLEMENTARY DATA**

**BROWN LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Nutrition Grant Cluster:</b>				
(C) (D) School Breakfast Program	10.553	2010	\$ 78,996	\$ 78,996
<b>Total School Breakfast Program</b>			<u>78,996</u>	<u>78,996</u>
(C) (D) National School Lunch Program	10.555	2010	152,374	152,374
(D) (E) National School Lunch Program - Food Donation	10.555	2010	16,807	16,807
<b>Total National School Lunch Program</b>			<u>169,181</u>	<u>169,181</u>
<b>Total Nutrition Grant Cluster</b>			<u>248,177</u>	<u>248,177</u>
<b>Total U.S. Department of Agriculture</b>			<u>248,177</u>	<u>248,177</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant Cluster:</b>				
(F) Title I Grants to Local Educational Agencies	84.010	2009	19,589	29,831
(F) Title I Grants to Local Educational Agencies	84.010	2010	178,474	173,005
<b>Total Title I Grants to Local Educational Agencies</b>			<u>198,063</u>	<u>202,836</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	57,492	53,859
<b>Total Title I Grant Cluster</b>			<u>255,555</u>	<u>256,695</u>
<b>Special Education Grant Cluster</b>				
(G) Special Education _Grants to States	84.027	2009	2,797	4,410
(G) Special Education _Grants to States	84.027	2010	155,769	154,148
<b>Total Special Education _Grants to States</b>			<u>158,566</u>	<u>158,558</u>
(G) ARRA - Special Education _Grants to States, Recovery Act	84.391	2010	73,928	72,428
<b>Total Special Education Grant Cluster</b>			<u>232,494</u>	<u>230,986</u>
Safe and Drug-Free Schools and Communities _State Grants	84.186	2010	3,195	3,195
Education Technology State Grants	84.318	2009	-	502
Education Technology State Grants	84.318	2010	2,026	2,026
<b>Total Educational Technology State Grants</b>			<u>2,026</u>	<u>2,528</u>
Improving Teacher Quality State Grants	84.367	2009	3,300	10,449
Improving Teacher Quality State Grants	84.367	2010	52,090	52,090
<b>Total Improving Teacher Quality State Grants</b>			<u>55,390</u>	<u>62,539</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	163,707	144,427
<b>Total U.S. Department of Education</b>			<u>712,367</u>	<u>700,370</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 960,544</u>	<u>\$ 948,547</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2010.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.



**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Brown Local School District  
401 West Main Street  
Malvern, Ohio 44644

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown Local School District, Carroll County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise Brown Local School District's basic financial statements and have issued our report thereon dated December 10, 2010. As disclosed in Note 3, the District has reported a prior period adjustment to its General fund and Other Governmental fund balances at June 30, 2009 due to the implementation of GASB Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Brown Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Brown Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Brown Local School District's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Brown Local School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Education  
Brown Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Brown Local School 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 have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Brown Local School District, federal awarding agencies and pass-through entities, and others within the Brown Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
December 10, 2010



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its  
Major Federal Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Brown Local School District  
401 West Main Street  
Malvern, Ohio 44644

To the Board of Education:

Compliance

We have audited the compliance of the Brown Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to its major federal program for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Brown Local School District's major federal program. The Brown Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Brown Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Brown Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Brown Local School District's compliance with those requirements.

In our opinion, the Brown Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The Brown Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Brown Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Brown Local School District's internal control over compliance.

Board of Education  
Brown Local School District

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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management and Board of Education of the Brown Local School District, federal awarding agencies and pass-through entities, and others within the Brown Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
December 10, 2010

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Educational Agencies - CFDA #84.010 and ARRA - Title I Grants to Educational Agencies, Recovery Act - CFDA #84.389
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

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

None



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### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Brown Local School District  
Carroll County  
401 West Main Street  
Malvern, Ohio 44644

To the Board of Education:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school”.

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Brown Local School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on January 5, 2006 and revised the policy at its meeting on December 21, 2009.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;

- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education of Brown Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.  
December 10, 2010



# Dave Yost • Auditor of State

**BROWN LOCAL SCHOOL DISTRICT**

**CARROLL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 1, 2011**