

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

Guillan & Company

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

AUDITED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 1999

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
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BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

ELECTED OFFICIALS
AS OF JUNE 30, 1999

<u>Elected Officials</u>	<u>Title</u>	<u>Term of Office</u>
<u>Board of Education:</u>		
Anita Tokos	President	1/1/99-12/31/02
Scott Kocher	Vice President	1/1/99-12/31/02
Patricia Wackerly	Member	1/1/98-12/31/01
Pat Reed	Member	1/1/98-12/31/01
Donna Cline	Member	1/1/99-12/31/02

Statutory Legal Counsel:

John T. Smiley
Carroll County Prosecutor
208 Park Avenue NE
Carrollton, Ohio 44615

Official Address:

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

(A) Nationwide Mutual Insurance Company

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(A)	\$20,000	1/1/97-1/1/00

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 1999

<u>Name</u>	<u>Title</u>	<u>Term of Office or Contract Period</u>
Tony Scott	Superintendent	7/1/97 - 7/31/00
Sandra Moeglin	Treasurer	4/1/99 - 1/1/00

(A) National Mutual Insurance Company

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(A)	\$20,000	1/1/97 - 1/1/00
(A)	\$20,000	1/1/98 - 1/1/02

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES

General Fund

General Fund

Special Revenue Funds

Public School Support Fund

Student Activities Athletic Fund

Disadvantaged Pupil Program Fund

Teacher Development Fund

Management Information System Fund

Title VI-B - Special Education: Assistance To States For
Education Of Handicapped Children Fund

Elementary And Secondary Education Act Block Grant:
Title I - Special Educational Needs Of Disadvantaged
Children Fund

Elementary And Secondary Education Act Block Grant:
Title VI - Consolidation Of Federal Programs

For Elementary And Secondary Education Fund

Drug Free Schools Grant Fund

Handicapped Preschool Grant Fund

Conflict Management Grant Fund

Debt Service Fund

Bond Retirement Fund

Capital Projects Funds

Permanent Improvement Fund

Schoolnet Plus

PROPRIETARY FUND TYPES

Enterprise Funds

Food Services Fund

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Internal Service Funds

Self Insurance Fund

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

INDEX OF FUNDS
(Continued)

FIDUCIARY FUND TYPES

Expendable Trust Fund

Sonia Galay Tarr Scholarship Fund

Agency Fund

Student Managed Activity Funds

ACCOUNT GROUPS

General Long-Term Debt Account Group

General Fixed Assets Account Group



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Education
Brown Local School District
Malvern, Ohio 44644

We have reviewed the Independent Auditor's Report of the Brown Local School District, Carroll County, prepared by Guillan & Company, for the audit period July 1, 1998 through June 30, 1999. 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

February 2, 2000

Guillan & Company

CERTIFIED PUBLIC ACCOUNTANT
Wales Office Building
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Independent Auditor's Report

Board of Education
Brown Local School District
Malvern, Ohio 44644

We have audited the accompanying general-purpose financial statements of the Brown Local School District, as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Brown Local School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

January 13, 2000

Guillan & Company

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>ASSETS AND OTHER DEBITS</u>				
Cash, Cash Equivalents, and Investments	\$ 839,342	\$ 93,958	\$ 9,553	\$ 101,964
Cash with a Fiscal Agent	-	-	-	-
Receivable (Net Allowances for Uncollectables)				
Taxes - Current	2,025,000	-	-	45,000
Taxes - Delinquent	1,245	-	-	-
Due from other Government	1,800	-	-	-
Prepaid Items	33,040	768	-	-
Materials & Supplies Inventory	-	-	-	-
Restricted Assets:				
Cash, Cash Equivalents, and Investments	65,047	-	-	-
Property, Plant & Equipment (Net of Accumulated Depreciation where applicable) (Note #6)	-	-	-	-
Amount Available in Debt Service Fund	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 2,965,474	\$ 94,726	\$ 9,553	\$ 146,964

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMO-RANDUM ONLY)
\$ (505)	\$ -	\$ 45,264	\$ -	\$ -	\$ 1,089,576
-	113,392	-	-	-	113,392
-	-	-	-	-	2,070,000
-	-	-	-	-	1,245
-	-	-	-	-	1,800
2,204	-	-	-	-	36,012
8,889	-	-	-	-	8,889
-	-	-	-	-	65,047
4,415	-	-	3,911,833	-	3,916,248
-	-	-	-	9,553	9,553
-	-	-	-	284,368	284,368
<u>\$ 15,003</u>	<u>\$ 113,392</u>	<u>\$ 45,264</u>	<u>\$ 3,911,833</u>	<u>\$ 293,921</u>	<u>\$ 7,596,130</u>

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1999
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 19,908	\$ 3,410	\$ -	\$ 907
Claims Payable	-	-	-	-
Accrued Wages & Benefits	518,656	2,228	-	-
Compensated Absences Payable	19,876	-	-	-
Due to Other Governments	74,386	317	-	-
Due to Students	-	-	-	-
Deferred Revenue	2,000,711	-	-	44,980
Notes Payable	-	-	-	175,000
TOTAL LIABILITIES	2,633,537	5,955	-	220,887
<u>EQUITY AND OTHER CREDITS</u>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings : Unreserved	-	-	-	-
Fund Balances:				
Reserved for Prepaid Items	33,040	768	-	-
Reserved for Budget Stabilization	65,047	-	-	-
Reserved for Property Taxes	25,532	-	-	20
Reserved for Encumbrances	74,064	5,837	553	27,534
Unreserved - Undesignated	134,254	82,166	9,000	(101,477)
TOTAL EQUITY AND OTHER CREDITS	331,937	88,771	9,553	(73,923)
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 2,965,474	\$ 94,726	\$ 9,553	\$ 146,964

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (MEMO-RANDUM ONLY)
ENTERPRISE	INTERNAL SERVICE	TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$ -	\$ -	\$ 1,441	\$ -	\$ -	\$ 25,666
-	51,222	-	-	-	51,222
13,065	-	-	-	-	533,949
4,180	-	-	-	251,768	275,824
2,704	-	-	-	42,153	119,560
-	-	28,828	-	-	28,828
8,889	-	-	-	-	2,054,580
-	-	-	-	-	175,000
28,838	51,222	30,269	-	293,921	3,264,629
-	-	-	3,911,833	-	3,911,833
(13,835)	62,170	-	-	-	48,335
-	-	-	-	-	33,808
-	-	-	-	-	65,047
-	-	-	-	-	25,552
-	-	-	-	-	107,988
-	-	14,995	-	-	138,938
(13,835)	62,170	14,995	3,911,833	-	4,331,501
\$ 15,003	\$ 113,392	\$ 45,264	\$ 3,911,833	\$ 293,921	\$ 7,596,130

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>REVENUES:</u>				
Taxes	\$ 1,796,353	\$ 214,547	\$ -	\$ 57,571
Tuition	69,465	-	-	-
Earnings on Investments	43,555	-	-	-
Extracurricular Activities	-	85,367	-	-
Intergovernmental	2,874,621	-	-	351,189
Other Revenue	14,957	-	-	-
TOTAL REVENUES	4,798,951	299,914	-	408,760
<u>EXPENDITURES:</u>				
Current:				
Instruction:				
Regular Instruction	2,535,453	41,210	-	44,623
Special Instruction	339,429	68,413	-	-
Vocational Instruction	53,546	-	-	-
Support Services:				
Pupils	158,970	34,078	-	-
Instructional Staff	106,006	30,941	-	-
Board of Education	91,299	-	-	-
School Administration	491,393	33,285	-	-
Fiscal	120,843	-	-	-
Operations and Maintenance	315,472	-	-	707
Pupil Transportation	216,816	-	-	-
Central	7,781	5,000	-	-
Extracurricular Activities	101,756	59,315	-	-
Facilities Acquisition and Construction	1,750	-	-	471,130
Debt Service:				
Principal Retirement	-	-	17,000	-
Interest and Fiscal Charges	-	-	553	10,980
TOTAL EXPENDITURES	\$ 4,540,514	\$ 272,242	\$ 17,553	\$ 527,440

The notes to the financial statements are an integral part of this statement.

<u>FIDUCIARY FUND</u> <u>EXPENDABLE</u> <u>TRUST</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
\$ -	\$ 2,068,471
-	69,465
578	44,133
-	85,367
-	3,225,810
<u>3,368</u>	<u>18,325</u>
<u>3,946</u>	<u>5,511,571</u>
-	2,621,286
-	407,842
-	53,546
-	193,048
-	136,947
-	91,299
-	524,678
-	120,843
-	316,179
-	216,816
-	12,781
-	161,071
-	472,880
-	17,000
-	11,533
<u>\$ -</u>	<u>\$ 5,357,749</u>

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 258,437	\$ 27,672	\$ (17,553)	\$ (118,680)
<u>OTHER FINANCING SOURCES / (USES) :</u>				
Operating Transfers In	1,365	1,849	-	144,955
Operating Transfers Out	(146,361)	(1,808)	-	-
Refund of Prior Year Receipts	-	(395)	-	-
Refund of Prior Year Expenditures	2,414	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(142,582)	(354)	-	144,955
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Uses	115,855	27,318	(17,553)	26,275
FUND BALANCES - July 1, 1998	216,082	61,453	27,106	(100,198)
FUND BALANCES - June 30, 1999	\$ 331,937	\$ 88,771	\$ 9,553	\$ (73,923)

The notes to the financial statements are an integral part of this statement.

<u>FIDUCIARY FUND</u> <u>EXPENDABLE</u> <u>TRUST</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
<u>\$ 3,946</u>	<u>\$ 153,822</u>
-	148,169
-	(148,169)
-	(395)
-	<u>2,414</u>
-	<u>2,019</u>
3,946	155,841
<u>11,049</u>	<u>215,492</u>
<u>\$ 14,995</u>	<u>\$ 371,333</u>

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>REVENUES:</u>			
Taxes	\$ 2,150,000	\$ 2,146,791	\$ (3,209)
Tuition	2,000	25,529	23,529
Earnings on Investments	40,000	43,555	3,555
Extracurricular Activities	-	-	-
Intergovernmental	2,392,000	2,874,620	482,620
Other Revenue	42,600	59,904	17,304
TOTAL REVENUES	4,626,600	5,150,399	523,799
<u>EXPENDITURES:</u>			
Current:			
Regular Instruction	2,924,789	2,531,582	393,207
Special Instruction	399,135	335,169	63,966
Vocational Instruction	61,250	53,465	7,785
Adult Continuing	-	-	-
Support Services:			
Pupils	188,100	158,489	29,611
Instructional Staff	117,515	106,914	10,601
Board of Education	125,100	94,925	30,175
School Administration	457,805	465,295	(7,490)
Fiscal	125,200	120,544	4,656
Operations & Maintenance	319,987	318,751	1,236
Pupil Transportation	302,503	274,615	27,888
Central	16,447	7,781	8,666
Extracurricular Activities	116,850	101,756	15,094
Facilities and Acquisition	2,000	1,750	250
Debt Service:			
Principal Retirement	-	-	-
Interest & Fiscal Charges	-	-	-
TOTAL EXPENDITURES	\$ 5,156,681	\$ 4,571,036	\$ 585,645

The notes to the financial statements are an integral part of this statement

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
86,100	85,367	(733)	-	-	-
-	214,546	214,546	-	-	-
-	-	-	-	-	-
86,100	299,913	213,813	-	-	-
55,485	41,398	14,087	-	-	-
103,248	68,744	34,505	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
46,885	36,538	10,347	-	-	-
33,852	30,612	3,240	-	-	-
-	-	-	-	-	-
38,445	33,285	5,160	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,000	5,000	-	-	-	-
65,925	59,733	6,192	-	-	-
-	-	-	-	-	-
-	-	-	17,000	17,000	-
-	-	-	3,600	1,105	2,495
\$ 348,840	\$ 275,310	\$ 73,531	\$ 20,600	\$ 18,105	\$ 2,495

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (530,081)	\$ 579,363	\$ 1,109,444
<u>OTHER FINANCING SOURCES / (USES) :</u>			
Refund of Prior Year Expenditures		614	614
Pass through	(1,000)	-	1,000
Operating Transfers In	-	1,365	1,365
Operating Transfers Out	(146,657)	(146,361)	297
TOTAL OTHER FINANCING SOURCES / (USES)	(147,657)	(144,382)	3,276
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(677,738)	434,981	1,112,719
FUND BALANCES - July 1, 1998	395,347	395,347	-
FUND BALANCES - June 30, 1999	\$ (282,391)	\$ 830,328	\$ 1,112,719

The notes to the financial statements are an integral part of this statement.

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (262,740)	\$ 24,603	\$ 287,344	\$ (20,600)	\$ (18,105)	\$ 2,495
(395)	(395)	-	-	-	-
-	-	-	-	-	-
-	1,849	1,849	-	-	-
(1,808)	(1,808)	-	-	-	-
(2,203)	(354)	1,849	-	-	-
(264,943)	24,249	289,192	(20,600)	(18,105)	2,495
63,868	63,868	-	27,106	27,106	-
\$ (201,075)	\$ 88,117	\$ 289,191	\$ 6,506	\$ 9,001	\$ 2,495

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	<u>CAPITAL PROJECTS FUND</u>		
	<u>REVISED</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE /</u> <u>(UNFAVORABLE)</u>
<u>REVENUES:</u>			
Taxes	\$ 58,500	\$ 57,551	\$ (949)
Tuition	-	-	-
Earnings on Investments	-	-	-
Extracurricular Activities	-	-	-
Intergovernmental	3,000	351,189	348,189
Other Revenue	-	-	-
TOTAL REVENUES	61,500	408,740	347,240
<u>EXPENDITURES:</u>			
Current:			
Regular Instruction	125,860	123,338	2,522
Special Instruction	-	-	-
Vocational Instruction	-	-	-
Adult Continuing	-	-	-
Support Service:			
Pupils	4,900	4,845	55
Instructional Staff	-	-	-
Board of Education	-	-	-
School Administration	1,550	1,510	40
Fiscal	200	177	23
Operations & Maintenance	29,350	707	28,643
Pupil Transportation	-	-	-
Central	-	-	-
Extracurricular Activities	-	-	-
Facilities and Acquisition	1,022,000	511,260	510,740
Debt Service:			
Principal Retirement	25,000	25,000	-
Interest & Fiscal Charges	15,000	10,980	4,020
TOTAL EXPENDITURES	\$ 1,223,860	\$ 677,817	\$ 546,043

The notes to the financial statements are an integral part of this statement.

EXPENDABLE TRUST FUND			TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 2,208,500	\$ 2,204,342	\$ (4,158)
-	-	-	2,000	25,529	23,529
500	578	78	40,500	44,133	3,633
-	-	-	86,100	85,367	(733)
-	-	-	2,395,000	3,440,355	1,045,355
-	3,368	3,368	42,600	63,272	20,672
500	3,946	3,446	4,774,700	5,862,998	1,088,298
-	-	-	3,106,135	2,696,318	409,817
-	-	-	502,383	403,913	98,470
-	-	-	61,250	53,465	7,785
10,000	-	10,000	10,000	-	10,000
-	-	-	239,885	199,872	40,012
-	-	-	151,367	137,526	13,841
-	-	-	125,100	94,925	30,175
-	-	-	497,800	500,090	(2,290)
-	-	-	125,400	120,721	4,679
-	-	-	349,337	319,458	29,879
-	-	-	302,503	274,615	27,888
-	-	-	21,447	12,781	8,666
-	-	-	182,775	161,489	21,286
-	-	-	1,024,000	513,010	510,990
-	-	-	42,000	42,000	-
-	-	-	18,600	12,085	6,515
\$ 10,000	\$ -	\$ 10,000	\$ 6,759,982	\$ 5,542,268	\$ 1,217,713

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	<u>CAPITAL PROJECTS FUND</u>		
	<u>REVISED</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE /</u> <u>(UNFAVORABLE)</u>
Excess (Deficit) of Revenues			
Over (Under) Expenditures	\$ (1,162,360)	\$ (269,077)	\$ 893,283
<u>OTHER FINANCING SOURCES / (USES) :</u>			
Refund of Prior Year Expenditures	-	-	-
Pass Through	-	-	-
Operating Transfers In	-	144,955	144,955
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING			
SOURCES / (USES)	-	144,955	144,955
Excess (Deficit) of Revenues and Other			
Financing Sources Over (Under)			
Expenditures & Other Financing Uses	(1,162,360)	(124,123)	1,038,237
FUND BALANCES - July 1, 1998	198,552	198,552	-
FUND BALANCES - June 30, 1999	\$ (963,808)	\$ 74,429	\$ 1,038,237

The notes to the financial statements are an integral part of this statement.

EXPENDABLE TRUST FUND			TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (9,500)	\$ 3,946	\$ 13,446	\$ (1,985,282)	\$ 320,730	\$ 2,306,011
-	-	-	(395)	219	614
-	-	-	(1,000)	-	1,000
-	-	-	-	148,169	148,169
-	-	-	(148,465)	(148,169)	297
-	-	-	(149,860)	219	150,080
(9,500)	3,946	13,446	(2,135,142)	320,949	2,456,088
11,049	11,049	-	695,922	695,922	-
\$ 1,549	\$ 14,995	\$ 13,446	\$ (1,439,220)	\$ 1,016,871	\$ 2,456,088

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	PROPRIETARY FUND TYPES		
	ENTERPRISE FUND	INTERNAL SERVICE FUND	TOTALS (MEMORANUDM ONLY)
OPERATING REVENUES:			
Charges for Services	\$ 134,443	\$ -	\$ 134,443
Earnings on Investment	-	8,334	8,334
Other Operating Revenues	-	422,463	422,463
TOTAL OPERATING REVENUES	134,443	430,797	565,240
OPERATING EXPENSES:			
Salaries	73,902	-	73,902
Fringe Benefits	36,243	42,020	78,263
Purchased Services	4,110	-	4,110
Materials & Supplies	112,143	-	112,143
Claims Expense	-	367,851	367,851
Depreciation Expense	760	-	760
TOTAL OPERATING EXPENSES	227,158	409,871	637,029
Operating (Loss)	(92,715)	20,926	(71,789)
NONOPERATING REVENUES/(EXPENSES):			
Operating Grants	62,911	-	62,911
Refund of Prior Year Expense	775	-	775
Refund of Prior Year Receipt	-	(1,002)	(1,002)
TOTAL NONOPERATING REVENUES	63,686	(1,002)	62,684
Net (Loss)	(29,029)	19,924	(9,105)
Retained Earnings - July 1, 1998	15,194	42,246	57,440
Retained Earnings - June 30, 1999	\$ (13,835)	\$ 62,170	\$ 48,335

The notes to the financial statements are an integral part of this statement.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	<u>PROPRIETARY FUND TYPES</u>		
	<u>ENTERPRISE FUND</u>	<u>INTERNAL SERVICE FUND</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating (Loss)	\$ (92,715)	\$ 20,926	\$ (71,789)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES:			
Depreciation Expense	760	-	760
(INCREASE) DECREASE IN ASSETS:			
Materials & supplies inventory	2,617	-	2,617
Prepaid Items	(324)	-	(324)
INCREASE (DECREASE) IN LIABILITIES:			
Claims payable	-	12,695	12,695
Accrued wages & benefits	563	-	563
Compensated absences payable	111	-	111
Due to other governments	923	-	923
Deferred revenue	772	-	772
Total Adjustments	<u>5,422</u>	<u>12,695</u>	<u>18,117</u>
Net cash (used) by operating activities	(87,293)	33,621	(53,672)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Operating grants	62,911	-	62,911
Refund of Prior Expense	775	-	775
Other Expenses	-	(1,002)	(1,002)
Net cash provided (used) by noncapital financing activities	<u>63,686</u>	<u>(1,002)</u>	<u>62,684</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Capital Asset Acquisitions	(680)	-	(680)
Net cash used in capital and related financing activities	<u>(680)</u>	<u>-</u>	<u>(680)</u>
Net decrease in cash	(24,287)	32,619	8,332
Cash and cash equivalents - July 1, 1998	<u>23,782</u>	<u>80,773</u>	<u>104,555</u>
Cash and cash equivalents - June 30, 1999	<u>\$ (505)</u>	<u>\$ 113,392</u>	<u>\$ 112,887</u>

The notes to the financial statements are an integral part of this financial statement.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. Description of the School District and Reporting Entity

The Brown Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member board of education (the Board) elected by its citizens and is responsible for the provision of public education to residents of the District. Average daily membership as of October 1, 1998 was 1,000. During the year, the District employed 65 certified and 31 non-certified employees.

The Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

2. Summary of Significant Accounting Policies

The general purpose financial statements of the Brown Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as it applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and interpretations issued after November 30, 1989, to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District has required no change from prior years.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

The District's significant accounting policies are described below.

A. Basis of Presentation

Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available resources. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

The General Fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for financial resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by propriety funds).

Proprietary Fund Types

Proprietary Funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's Proprietary Fund types:

Enterprise Funds

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental units, on a cost-reimbursement basis.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Fiduciary Fund Types

Fiduciary Funds are used to account for assets not owned by the District, but held for a separate entity.

Expendable Trust Fund - to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Expendable Trust Fund is accounted for in essentially the same manner as the Governmental Funds.

Agency Funds - to account for assets held by the District as an agent. Agency Funds are custodial in nature (Assets equal Liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

B. Measurement Focus and Basis of Accounting

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

The available period for the District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board adopted budget is filed with the Carroll County Budget Commission for rate determination.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's *certificate of estimated resources* which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Appropriations (Continued)

Formal budgetary integration is employed as a management control device during the year for all District funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year end expenditures of governmental funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash, Cash Equivalents, and Investments" on the balance sheet. During fiscal year 1999, investments were limited to STAR Ohio.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

2. Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents (Continued)

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

E. Inventory

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventory in governmental funds consist of expendable supplies held for consumption. Inventory in Proprietary Funds consist of expendable supplies held for consumption and food service items held for resale. The cost has been recorded as an expense at the time individual inventory items were consumed. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Donated commodities which are still on hand at year end are recorded as deferred revenue.

F. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund reserve has also been established.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in those funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not have any infrastructure.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

G. Fixed Assets and Depreciation (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the Enterprise Fund is computed using the straight-line method over an estimated useful lives of eight to twenty years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
State Foundation Program

Nonreimbursable Grants

Special Revenue Funds
Drug Free Grant
Title I
Title VI
Title VI-B Flow Through
Pupil Competency Grant
Effective Schools Grant
Eisenhower Grant
MHJ Grant
Preschool Grant
Conflict Management Grant
Teacher Development Grant

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

H. Intergovernmental Revenues (Continued)

Capital Projects Fund
SchoolNet

Reimbursable Grants

General Fund
Driver Education Reimbursement

Special Revenue Fund
Vocational Education Equipment Fund

Enterprise Fund
National School Lunch Program
School Breakfast Program
Government Donated Commodities

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences (Continued)

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for both classified and certified employees once they meet the eligibility requirements for retirement from one of the State retirement systems. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, compensated absences, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities those funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

M. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, prepaid items and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

L. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total-(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

3. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget - Actual (Budgetary Basis) - All Governmental and Expendable Trust Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the Budgetary basis and GAAP basis are that:

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditure equivalents for all funds (Budgetary basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

3. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the Budgetary and GAAP basis statements by fund type.

Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses

	General	Special Revenue	Capital Projects	Debt Service	Expendable Trust
Budget Basis	\$434,981	\$24,249	\$(124,123)	\$(18,105)	\$3,946
Adjustments for Revenue					
Accruals	(349,651)	-	20	-	-
Adjustments for Expenditure					
Accruals	(43,539)	(2,768)	122,844	-	
Adjustments for Encumbrances	74,064	5,837	27,534	552	-
GAAP Basis	<u>\$115,855</u>	<u>\$ 27,318</u>	<u>\$26,275</u>	<u>\$(17,553)</u>	<u>\$3,946</u>

4. Deposits and Investments

State statutes classify monies held by the District into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no 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.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

4. Deposits and Investments (Continued)

Interim monies may be invested in the following obligations:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio); and
7. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

4. Deposits and Investments (Continued)

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.

Deposits: At year end, the carrying amount of the District's deposits was \$9,377 and the bank balance was \$45,342. Of the bank balance, all was covered by federal depository insurance. The District also participates in the Ohio Mid Eastern Regional Education Services Agency Health Benefits Consortium (OME-RESA) for all employee benefits. The balance of the deposits in this self insurance fund at year end were \$113,392. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third party trustee in the name of the consortium.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes insured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Market Value</u>
STAR Ohio	<u>\$1,145,246</u>	<u>\$1,145,246</u>
Total Investments	<u>\$1,145,246</u>	<u>\$1,145,246</u>

5. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

5. Property Taxes (Continued)

year, were levied after April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes paid 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 District receives property taxes from Carroll and Stark County. These County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to a deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 1999, was \$25,532.

6. Fixed Assets

A summary of the changes in the General Fixed Asset Account Group during the fiscal year is as follows:

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

6. Fixed Assets (Continued)

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Land and Land Improvements	\$ 1,190	\$ -	\$ -	\$ 1,190
Buildings and Building Improvements	1,729,722	458,949	-	2,188,671
Furniture, Fixtures, and Equipment	1,091,825	183,570	-	1,275,395
Textbooks and Library Books	<u>446,577</u>	<u>-</u>	<u>-</u>	<u>446,577</u>
Totals	<u>\$3,269,314</u>	<u>\$642,519</u>	<u>\$ -</u>	<u>\$3,911,833</u>

A summary of the Enterprise Funds' fixed assets at June 30, 1999 is as follows:

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Furniture, Fixtures, and Equipment	\$ 73,675	\$ 680	\$ -	\$ 74,355
Less: Accumulated Depreciation	<u>(69,180)</u>	<u>(760)</u>	<u>-</u>	<u>(69,940)</u>
Net Fixed Assets	<u>\$ 4,495</u>	<u>\$ (80)</u>	<u>\$ -</u>	<u>\$ 4,415</u>

7. Long-Term Debt and Other Obligations

Debt outstanding at June 30, 1999 consisted of the following:

Tax Anticipation Notes

Principal Outstanding	\$175,000
Interest Rate	5.49%

The annual requirements to amortize all note debt outstanding as of June 30, 1999 including interest payments of \$38,431 are as follows:

Year ending <u>June 30</u>	Tax <u>Anticipation Notes</u>
2000	\$ 34,609
2001	33,235
2002	31,862
2003	30,489
2004	29,118
Thereafter	<u>54,118</u>
TOTAL	<u>\$213,431</u>

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

7. Long-Term Debt and Other Obligations (Continued)

Long-term debt and other obligations at June 30, 1999 and the related transactions for the year are summarized as follows:

	Balance 7/1/98	Additions	Reductions	Balance 6/30/99
Compensated Absences Payable	\$203,276	\$48,492	-	\$251,768
Due to Other Governments	34,715	7,438	-	42,153
Total	<u>\$237,991</u>	<u>\$55,930</u>	<u>\$ -</u>	<u>\$293,921</u>

The general obligation bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Capital Projects and Debt Service Funds when due and payable.

8. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 299 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 70 days for classified employees and 69 days for certified employees.

9. Risk Management

Comprehensive - The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

Building and Contents-replacement cost - \$9,901,180 (\$5,000 deductible)

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

9. Risk Management (Continued)

Inland Marine Coverage - \$135,757 (\$100 deductible)

Automobile Liability - \$1,000,000 (\$250 deductible - Comprehensive)
(\$1,000 deductible - Collision)

Uninsured Motorists - \$1,000,000

General Liability - \$3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers Compensation - For fiscal year 1999, the District participated in a program with the Stark County Board of Education to obtain workers' compensation coverage. The program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program. Each participant pays its workers' compensation premium to the State's Bureau of Workers' Compensation based on this calculation. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the program. A participant will then either receive money from or be required to contribute to the program. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to school districts that can meet its selection criteria.

Self-Insurance - Medical/surgical and Dental insurance is offered to employees through a self insurance internal service fund. The District maintains a self-insurance plan administered by Self Funded Plans, Inc. Payments are made to OMERESA (Ohio Mid-Eastern Regional Education Service Agency), the fiscal agent for the program, for the actual amount of claims processed, monthly stop-loss premiums, and administrative charges. Operating revenues of the fund consists of payments from other funds and is based on self-insured losses, policy stop-loss premiums, and other operating expenses. Changes in claims activity for the past two years are as follows:

		Current Year	Current Year	
	<u>July 1</u>	<u>Claims</u>	<u>Payments</u>	<u>June 30</u>
1998	\$ 67,836	\$400,714	\$430,023	\$38,527
1999	\$ 38,527	\$390,670	\$377,975	\$51,222

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

10. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit 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 financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The contribution rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$75,440, \$85,099, and \$71,907 respectively. 41% has been contributed for the fiscal year 1999 and 100% for fiscal years 1998 and 1997. \$44,832 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

10. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$378,997, \$488,632, and \$378,316, respectively. 84% has been contributed for the fiscal year 1999 and 100% for the fiscal years 1998 and 1997. \$61,628 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds.

11. Post Employment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contributions rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund at year end was \$2.156 million. For the fiscal year ended June 30, 1998 (the latest information available), eligible benefit recipients totaled 91,999 and net health care costs paid by STRS were \$219,224,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

11. Post Employment Benefits (Continued)

percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution provides for maintenance of the asset target level for the health care fund. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment as of June 30, 1998 (the latest information available) by the Retirement System were \$160.3 million, at cost. The number of participants currently receiving health care benefits is 50,000. The portion of the District's contributions that were used to fund postemployment benefits was \$42,774.

12. Segment Information For Enterprise Funds

The District maintains two Enterprise Funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999.

	Food Service	School Supplies	Total
Operating Revenues	\$134,443	\$ -	\$134,443
Operating Expenses			
Before Depreciation	211,469	14,929	226,398
Depreciation Expense	760	-	760
Operating (Loss)	(77,786)	(14,929)	(92,715)
Nonoperating Revenues	62,911	775	63,686
Net (Loss)	(14,875)	(14,154)	(29,029)
Net Working Capital	(17,994)	3,924	(14,070)
Total Assets	11,079	3,924	15,003
Total Equity	(17,759)	3,924	(13,835)

13. Jointly Governed Organization

The District is a member of the Stark-Portage Area Computer Consortium (SPARCC), a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage counties. Each District's superintendent serves as a representative on the Board which consists of approximately 31 member districts. However, SPARCC is primarily governed by a five member executive Board which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

14. Contingencies and Commitments

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$2,386,701 of school foundation support for its General Fund, and \$2,462,578 in total (all funds) support.

Since the Court's ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

15. Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

15. Year 2000 Issue (Continued)

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Educational Management and Information System (EMIS)).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Carroll and Stark County collect property taxes for distribution to the Brown Local School District. Carroll and Stark County are responsible for remediating the tax collection system.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

16. Fund Balance Deficits

Fund equity balances at June 30, 1999, included the following individual fund deficits:

Capital Projects	\$(73,923)
Enterprise	\$(13,835)

The deficits in these funds were caused by the application of Generally Accepted Accounting Principles. They will be funded by anticipated future intergovernmental revenues or other subsidies which were not recognized or recorded at year ended.

The Capital Projects funds did however, comply with Ohio State law, which does not permit a cash basis deficit at year end. The Enterprise Fund did have a cash basis deficit at year end.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

17. Set – Aside Requirements

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999	\$ -	\$ -	\$ 30,058	\$ 30,058
Current Year Set-aside Requirements	55,382	5,889	34,989	96,260
Qualifying Disbursements	<u>55,382</u>	<u>5,889</u>	<u>-</u>	<u>61,271</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,047</u>	<u>\$ 65,047</u>
Cash Balance Carried Forward to FY 2000			<u>\$ 65,047</u>	<u>\$ 65,047</u>

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS

The prior audit report for the period ending June 30, 1998 included various citations and recommendations. Each of these citations and recommendations have either been satisfied or corrected, or are reflected in the appropriate section of this report. Such citations and recommendations are denoted by an asterisk.

Guillan & Company

CERTIFIED PUBLIC ACCOUNTANT
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Telephone (330) 837-0046
FAX (330) 837-1563

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Brown Local School District
Malvern, Ohio 44644

We have audited the financial statements of the Brown Local School District as of and for the year ended June 30, 1999 and have issued our report thereon date January 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 13, 2000.

Internal Control Over Financial Reporting

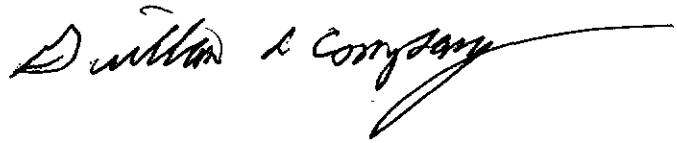
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY**

We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated January 13, 2000.

This report is intended for the information and use of management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

January 13, 2000

A handwritten signature in black ink that reads "D. Wilson & Company". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1999

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Brown Local School District.
2. No reportable condition was disclosed during the audit of the Brown Local School District's financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit of the financial statements.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

GENERAL COMMENTS

The report, including the citations and recommendations, was reviewed with and acknowledged by the following officials on January 13, 2000:

Sandy Moeglin Treasurer

These officials were informed that they had five working days for the Auditor of State and sixty days for the federal government from the date of the post audit conference to respond to, or contest, in writing, the report contents. No such response was received.

School District personnel were very cooperative and available for questions and assistance during regular working hours.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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.

By: Susan Babbitt

Date: FEBRUARY 22, 2000