

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

AUDITED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2001



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, 2000 to June 30, 2001. 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.

JIM PETRO
Auditor of State

January 14, 2002

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

ELECTED OFFICIALS
AS OF JUNE 30, 2001

<u>Elected Officials</u>	<u>Title</u>	<u>Term of Office</u>
<u>Board of Education:</u>		
Scott Kocher	President	1/1/99-12/31/02
Pat Reed	Vice President	1/1/99-12/31/02
Patricia Wackerly	Member	1/1/00-12/31/03
Pat Bast	Member	1/1/00-12/31/03
Betsy Cinson	Member	1/1/00-12/31/03

Statutory Legal Counsel:

Don Burns
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	1/1/00-1/1/03

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2001

<u>Name</u>	<u>Title</u>	<u>Term of Office or Contract Period</u>
Connie Griffin	Superintendent	7/1/00 - 7/31/03
Sandra Moeglin	Treasurer	1/1/00 - 1/1/03

(A) National Mutual Insurance Company

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(A)	\$20,000	1/1/00 - 1/1/03
(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

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
Ester Reed Scholarship Fund
Terry Burwell Memorial Fund

Agency Fund

Student Managed Activity Funds

ACCOUNT GROUPS

General Long-Term Debt Account Group
General Fixed Assets Account Group

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Guillan & Company

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, 2001, 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, 2001, 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 December 21, 2001 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the West Branch Local School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

December 21, 2001

Guillan & Company

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
<u>ASSETS AND OTHER DEBITS</u>			
Cash, Cash Equivalents, and Investments	\$ 1,689,854	\$ 135,781	\$ 10,603
Receivable (Net Allowances for Uncollectables)			
Taxes - Current	1,935,000	-	-
Taxes - Delinquent	28,013	-	-
Prepaid Items	45,551	-	-
Materials & Supplies Inventory	-	-	-
Restricted Assets:			
Cash, Cash Equivalents, and Investments	30,058	-	-
Property, Plant & Equipment (Net of Accumulated Depreciation where applicable) (Note #6)	-	-	-
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 3,728,476</u>	<u>\$ 135,781</u>	<u>\$ 10,603</u>

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

CAPITAL PROJECTS	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (MEMO- RANDUM ONLY)
	ENTERPRISE	INTERNAL SERVICE	TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$ 164,083	\$ 21,678	\$ -	\$ 57,464	\$ -	\$ -	\$ 2,079,463
-	-	-	-	-	-	1,935,000
9,144	-	-	-	-	-	37,157
-	2,622	-	-	-	-	48,173
-	11,792	-	-	-	-	11,792
-	-	-	-	-	-	30,058
-	36,986	-	-	4,016,675	-	4,053,661
-	-	-	-	-	347,906	347,906
\$ 173,227	\$ 73,078	\$ -	\$ 57,464	\$ 4,016,675	\$ 347,906	\$ 8,543,210

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

AS OF JUNE 30, 2001
(Continued)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 79,766	\$ 5,526	\$ -
Claims Payable	-	-	-
Accrued Wages & Benefits	427,868	5,538	-
Compensated Absences Payable	-	-	-
Due to Other Governments	79,024	1,379	-
Due to Students	-	-	-
Deferred Revenue	1,875,013	-	-
Notes Payable	-	-	-
TOTAL LIABILITIES	2,461,671	12,443	-
 <u>EQUITY AND OTHER CREDITS</u>			
Investment in General Fixed Assets	-	-	-
Retained Earnings : Unreserved	-	-	-
Fund Balances:			
Reserved for Prepaid Items	45,551	-	-
Reserved for Budget Stabilization	30,058	-	-
Reserved for Property Taxes	88,000	-	-
Reserved for Encumbrances	132,835	26,204	-
Unreserved - Undesignated	970,361	97,134	10,603
TOTAL EQUITY AND OTHER CREDITS	1,266,805	123,338	10,603
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 3,728,476	\$ 135,781	\$ 10,603

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

3	PROPRIETARY FUND TYPES			FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS
	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	TRUST & AGENCY	GENERAL	GENERAL	(MEMO- RANDUM ONLY)
					FIXED ASSETS	LONG-TERM OBLIGATIONS	
\$ 5,785	\$ -	\$ -	\$ 5,576	\$ -	\$ -	\$ 96,653	
-	-	273,497	-	-	-	273,497	
-	11,266	-	-	-	-	444,672	
-	8,324	-	-	-	312,531	320,855	
-	3,838	-	-	-	35,375	119,616	
-	-	-	34,502	-	-	34,502	
9,144	9,763	-	-	-	-	1,893,920	
125,000	-	-	-	-	-	125,000	
139,929	33,191	273,497	40,078	-	347,906	3,308,715	
-	-	-	-	4,016,675	-	4,016,675	
-	39,887	(273,497)	-	-	-	(233,610)	
-	-	-	-	-	-	45,551	
-	-	-	-	-	-	30,058	
-	-	-	-	-	-	88,000	
7,201	-	-	-	-	-	166,240	
26,097	-	-	17,386	-	-	1,121,581	
33,298	39,887	(273,497)	17,386	4,016,675	-	5,234,495	
\$ 173,227	\$ 73,078	\$ -	\$ 57,464	\$ 4,016,675	\$ 347,906	\$ 8,543,210	

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, 2001

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
REVENUES:				
Taxes	\$ 2,280,961	\$ -	\$ -	\$ 60,636
Tuition	83,095	-	-	-
Earnings on Investments	118,887	-	-	-
Extracurricular Activities	-	84,145	-	-
Intergovernmental	2,690,449	360,066	-	72,452
Other Revenue	526	-	-	-
TOTAL REVENUES	5,173,918	444,211	-	133,088
EXPENDITURES:				
Current:				
Instruction:				
Regular Instruction	2,761,894	93,746	-	28,806
Special Instruction	398,985	68,040	-	23,373
Vocational Instruction	61,049	-	-	1,000
Support Services:				
Pupils	135,770	95,658	-	-
Instructional Staff	209,975	24,021	-	-
Board of Education	116,296	-	-	-
School Administration	445,418	32,982	-	-
Fiscal	85,772	-	-	-
Operations and Maintenance	415,426	-	-	-
Pupil Transportation	240,306	-	-	-
Central	2,106	10,367	-	-
Extracurricular Activities	85,761	78,920	-	-
Facilities Acquisition and Construction	-	-	-	1,785
Debt Service:				
Interest and Fiscal Charges	-	-	-	8,235
TOTAL EXPENDITURES	\$ 4,958,758	\$ 403,734	\$ -	\$ 63,199

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

FIDUCIARY FUND EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
\$ -	\$ 2,341,597
-	83,095
946	119,833
-	84,145
-	3,122,967
300	826
1,246	5,752,463
-	2,884,446
-	490,398
-	62,049
-	231,428
-	233,996
-	116,296
-	478,400
-	85,772
-	415,426
-	240,306
-	12,473
-	164,681
-	1,785
-	8,235
\$ -	\$ 5,425,691

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, 2001

(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 215,160	\$ 40,477	\$ -	\$ 69,889
<u>OTHER FINANCING SOURCES / (USES) :</u>				
Operating Transfers Out	(400)	(100)	-	-
Proceeds From Sale Of Assets	880	-	-	-
Refund of Prior Year Expenditures	52,949	3,223	-	-
TOTAL OTHER FINANCING SOURCES (USES)	53,429	3,123	-	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Uses	268,589	43,600	-	69,889
FUND BALANCES - July 1, 2000	998,215	79,738	10,603	(36,591)
FUND BALANCES - June 30, 2001	\$ 1,266,804	\$ 123,338	\$ 10,603	\$ 33,298

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>\$ 1,246</u>	<u>\$ 326,772</u>
-	(500)
-	880
-	56,172
<u>-</u>	<u>56,552</u>
1,246	383,324
<u>16,140</u>	<u>1,068,105</u>
<u><u>\$ 17,386</u></u>	<u><u>\$ 1,451,429</u></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, 2001

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>REVENUES:</u>			
Taxes	\$ 2,392,405	\$ 2,323,529	\$ (68,876)
Tuition and Fees	56,000	47,045	(8,955)
Earnings on Investments	50,000	118,887	68,887
Extracurricular Activities	-	-	-
Intergovernmental	2,987,401	2,651,674	(335,727)
Other Revenue	21,800	37,337	15,537
TOTAL REVENUES	5,507,606	5,178,472	(329,134)
<u>EXPENDITURES:</u>			
Current:			
Regular Instruction	3,346,544	2,897,278	449,266
Special Instruction	416,815	382,758	34,057
Vocational Instruction	60,750	60,209	541
Support Services:			
Pupils	169,956	137,999	31,957
Instructional Staff	238,712	209,500	29,212
Board of Education	142,495	128,556	13,939
School Administration	428,869	439,722	(10,853)
Fiscal	222,917	84,873	138,044
Operations and Maintenance	770,882	450,991	319,891
Pupil Transportation	370,779	241,051	129,728
Central	2,163	2,106	57
Extracurricular Activities	114,450	85,760	28,690
Facilities and Acquisition	2,000	-	2,000
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
TOTAL EXPENDITURES	\$ 6,287,332	\$ 5,120,803	\$ 1,166,529

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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
95,320	84,145	(11,175)	-	-	-
183,926	360,066	176,140	-	-	-
-	-	-	-	-	-
279,246	444,211	164,965	-	-	-
170,605	101,299	69,306	-	-	-
110,192	68,040	42,152	-	-	-
-	-	-	-	-	-
129,516	108,525	20,991	-	-	-
39,661	25,903	13,758	-	-	-
-	-	-	-	-	-
33,535	32,982	553	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,549	13,877	6,672	-	-	-
93,309	83,734	9,575	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 597,367	\$ 434,360	\$ 163,008	\$ -	\$ -	\$ -

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, 2001
(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (779,726)	\$ 57,669	\$ 837,395
<u>OTHER FINANCING SOURCES / (USES) :</u>			
Refund of Prior Year Expenditures	-	52,949	52,949
Pass Through	(1,000)	-	1,000
Proceeds from Sale of Assets	-	880	880
Operating Transfers Out	(6,400)	(400)	6,000
TOTAL OTHER FINANCING SOURCES / (USES)	(7,400)	53,429	60,829
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(787,126)	111,098	898,224
FUND BALANCES - July 1, 2000	75,672	1,345,804	1,270,132
FUND BALANCES - June 30, 2001	\$ (711,454)	\$ 1,456,902	\$ 2,168,356

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)
\$ (318,121)	\$ 9,851	\$ 327,973	\$ -	\$ -	\$ -
-	3,223	3,223	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(100)	(100)	-	-	-	-
(100)	3,123	3,223	-	-	-
(318,221)	12,974	331,195	-	-	-
(307,785)	74,035	381,820	9,001	10,604	1,603
\$ (626,006)	\$ 87,009	\$ 713,015	\$ 9,001	\$ 10,604	\$ 1,603

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, 2001

(Continued)

CAPITAL PROJECTS FUND			
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>REVENUES:</u>			
Taxes	\$ 60,450	\$ 60,641	\$ 191
Tuition	-	-	-
Earnings on Investments	-	-	-
Extracurricular Activities	-	-	-
Intergovernmental	111,802	72,452	(39,350)
Other Revenue	-	-	-
	172,252	133,093	(39,159)
TOTAL REVENUES			
 <u>EXPENDITURES:</u>			
Current:			
Regular Instruction	28,806	28,806	-
Special Instruction	-	-	-
Vocational Instruction	-	-	-
Support Service:			
Pupils	-	-	-
Instructional Staff	39,555	29,984	9,571
Board of Education	-	-	-
School Administration	1,000	1,000	-
Fiscal	-	-	-
Operations and Maintenance	36,000	-	36,000
Pupil Transportation	-	-	-
Central	-	-	-
Extracurricular Activities	-	-	-
Facilities and Acquisition	2,000	1,785	215
Debt Service:			
Principal Retirement	25,000	25,000	-
Interest and Fiscal Charges	15,000	8,235	6,765
	\$ 147,361	\$ 94,810	\$ 52,551
TOTAL EXPENDITURES			

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

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
REVISED		VARIANCE		REVISED		VARIANCE	
BUDGET	ACTUAL	FAVORABLE /	(UNFAVORABLE)	BUDGET	ACTUAL	FAVORABLE /	(UNFAVORABLE)
\$ -	\$ -	\$ -	-	\$ 2,452,855	\$ 2,384,170	\$ (68,685)	
-	-	-	-	56,000	47,045	(8,955)	
980	946	(34)		50,980	119,833	68,853	
-	-	-		95,320	84,145	(11,175)	
-	-	-		3,283,129	3,084,192	(198,937)	
300	300	-		22,100	37,637	15,537	
1,280	1,246	(34)		5,960,384	5,757,022	(203,362)	
-	-	-		3,545,955	3,027,383	518,572	
-	-	-		527,007	450,798	76,209	
-	-	-		60,750	60,209	541	
-	-	-		299,472	246,524	52,948	
-	-	-		317,928	265,387	52,541	
-	-	-		142,495	128,556	13,939	
-	-	-		463,404	473,704	(10,300)	
-	-	-		222,917	84,873	138,044	
-	-	-		806,882	450,991	355,891	
-	-	-		370,779	241,051	129,728	
-	-	-		22,712	15,983	6,729	
-	-	-		207,759	169,494	38,265	
-	-	-		4,000	1,785	2,215	
-	-	-		25,000	25,000	-	
-	-	-		15,000	8,235	6,765	
\$ -	\$ -	\$ -	-	\$ 7,032,060	\$ 5,649,973	\$ 1,382,087	

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, 2001
(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	\$ 24,891	\$ 38,283	\$ 13,392
<u>OTHER FINANCING SOURCES / (USES) :</u>			
Refund of Prior Year Expenditures	-	-	-
Pass Through	-	-	-
Proceeds from Sale of Assets	-	-	-
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES / (USES)	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Uses	24,891	38,283	13,392
FUND BALANCES - July 1, 2000	71,654	113,405	41,751
FUND BALANCES - June 30, 2001	\$ 96,545	\$ 151,688	\$ 55,143

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)
\$ 1,280	\$ 1,246	\$ (34)	\$ (1,071,676)	\$ 107,049	\$ 1,178,725
-	-	-	-	56,172	56,172
-	-	-	(1,000)	-	1,000
-	-	-	-	880	880
-	-	-	(6,500)	(500)	6,000
-	-	-	(7,500)	56,552	64,052
1,280	1,246	(34)	(1,079,176)	163,601	1,242,777
948	16,139	15,191	(150,510)	1,559,987	1,710,497
\$ 2,228	\$ 17,385	\$ 15,157	\$ (1,229,686)	\$ 1,723,588	\$ 2,953,274

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, 2001

	PROPRIETARY FUND TYPES		
	ENTERPRISE FUND	INTERNAL SERVICE FUND	TOTALS (MEMORANDUM ONLY)
OPERATING REVENUES:			
Charges for Services	\$ 176,206	\$ -	\$ 176,206
Earnings on Investment	-	8,866	8,866
Proceeds from Other Funds	-	551,221	551,221
TOTAL OPERATING REVENUES	176,206	560,087	736,293
OPERATING EXPENSES:			
Salaries	79,456	-	79,456
Fringe Benefits	38,240	55,774	94,014
Purchased Services	2,904	-	2,904
Materials & Supplies	118,851	-	118,851
Claims Expense	-	713,361	713,361
Depreciation Expense	1,364	-	1,364
TOTAL OPERATING EXPENSES	240,815	769,135	1,009,950
Operating (Loss)	(64,609)	(209,048)	(273,657)
NONOPERATING REVENUES/(EXPENSES):			
Operating Grants	93,334	-	93,334
Interest Income	515	-	515
TOTAL NONOPERATING REVENUES	93,849	-	93,849
Net Income (Loss)	29,240	(209,048)	(179,808)
Retained Earnings - July 1, 2000	10,647	(64,449)	(53,802)
Retained Earnings - June 30, 2001	\$ 39,887	\$ (273,497)	\$ (233,610)

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, 2001

	PROPRIETARY FUND TYPES		
	ENTERPRISE FUND	INTERNAL SERVICE FUND	TOTALS (MEMORANDUM ONLY)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating (Loss)	\$ (64,609)	\$ (209,048)	\$ (273,657)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES:			
Depreciation Expense	1,364	-	1,364
(INCREASE) DECREASE IN ASSETS:			
Materials & supplies inventory	8,152	-	8,152
Prepaid Items	(433)	-	(433)
INCREASE (DECREASE) IN LIABILITIES:			
Claims payable	-	133,373	133,373
Accrued wages & benefits	361	-	361
Compensated absences payable	3,550	-	3,550
Due to other governments	1,162	-	1,162
Deferred revenue	(2,996)	-	(2,996)
Total Adjustments	11,160	133,373	144,533
Net cash (used) by operating activities	(53,449)	(75,675)	(129,124)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Operating grants	93,334	-	93,334
Interest Income	515	-	515
Net cash provided (used) by noncapital financing activities	93,849	-	93,849
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Capital Asset Acquisitions	(26,392)	-	(26,392)
Net cash used in capital and related financing activities	(26,392)	-	(26,392)
Net increase (decrease) in cash	14,008	(75,675)	(61,667)
Cash and cash equivalents - July 1, 2000	7,670	75,675	83,345
Cash and cash equivalents - June 30, 2001	\$ 21,678	\$ -	\$ 21,678

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, 2001

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, 2001

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, 2001

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, 2001

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, 2001

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, 2001, which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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, 2001

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 2001.

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, 2001

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 2001, 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, 2001

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 2001. 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, 2001.

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, 2001

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, 2001

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, 2001, 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, 2001

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.

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.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

2. Summary of Significant Accounting Policies (Continued)

M. Fund Balance Reserves (Continued)

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.

N. 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.

O. 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 balance reserve has also been established.

P. Estimates

The preparation of the 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.

3. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal year 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

4. 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).

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	\$111,098	\$12,974	\$38,283	\$ -	\$1,246
Adjustments for Revenue Accruals	(4,554)	-	(5)	-	-
Adjustments for Expenditure Accruals	(25,935)	(314)	19,215	-	-
Adjustments for Encumbrances	<u>187,980</u>	<u>30,940</u>	<u>12,396</u>	-	-
GAAP Basis	<u>\$268,589</u>	<u>\$ 43,600</u>	<u>\$69,889</u>	<u>\$ -</u>	<u>\$1,246</u>

5. 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.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

5. Deposits and Investments (Continued)

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.

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.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

5. Deposits and Investments (Continued)

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.

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 \$457,472 and the bank balance was \$498,198. 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 \$(195,080). This amount has been reclassified as a payable at June 30, 2001. 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>\$1,652,049</u>	<u>\$1,652,049</u>
Total Investments	<u>\$1,652,049</u>	<u>\$1,652,049</u>

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

6. 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 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, 2001, are available to finance fiscal year 2001 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, 2001. 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. There was \$88,000, in the General Fund, available to the District as an advance at June 30, 2001.

7. 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, 2001

7. Fixed Assets (Continued)

	Balance 7/1/00	Additions	Disposals	Balance 6/30/01
Land and Land Improvements	\$ 1,190	\$ -	\$ -	\$ 1,190
Buildings and Building Improvements	2,188,671	12,902	-	2,201,573
Furniture, Fixtures, and Equipment	1,266,093	244,931	(143,689)	1,367,335
Textbooks and Library Books	446,577	-	-	446,577
Totals	<u>\$3,902,531</u>	<u>\$ 257,833</u>	<u>\$ (143,689)</u>	<u>\$4,016,675</u>

A summary of the Enterprise Funds' fixed assets at June 30, 2001 is as follows:

	Balance 7/1/00	Additions	Disposals	Balance 6/30/01
Furniture, Fixtures, and Equipment	\$ 82,922	\$ 26,392	\$ -	\$ 109,314
Less: Accumulated Depreciation	<u>(70,964)</u>	<u>(1,364)</u>	<u>-</u>	<u>(72,328)</u>
Net Fixed Assets	<u>\$ 11,958</u>	<u>\$ 25,028</u>	<u>\$ -</u>	<u>\$ 36,986</u>

8. Long-Term Debt and Other Obligations

Debt outstanding at June 30, 2001 consisted of the following:

Tax Anticipation Notes

Principal Outstanding	\$125,000
Interest Rate	5.49%

The annual requirements to amortize all note debt outstanding as of June 30, 2001 including interest payments of \$20,587 are as follows:

Year ending <u>June 30</u>	Tax <u>Anticipation Notes</u>
2002	\$ 31,862
2003	30,489
2004	29,118
2005	27,059
2006	<u>27,059</u>
TOTAL	<u>\$145,587</u>

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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

Long-term debt and other obligations at June 30, 2001 and the related transactions for the year are summarized as follows:

	Balance 7/1/00	Additions	Reductions	Balance 6/30/01
Compensated Absences Payable	\$274,466	\$38,065	\$ -	\$312,531
Due to Other Governments	<u>36,526</u>	<u>-</u>	<u>(1,151)</u>	<u>35,375</u>
Total	<u>\$310,992</u>	<u>\$38,065</u>	<u>\$(1,151)</u>	<u>\$347,906</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.

9. 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 70 days for certified employees.

10. 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 2001, 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, 2001

10. 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 2001, 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:

	<u>July 1</u>	<u>Current Year Claims</u>	<u>Current Year Payments</u>	<u>June 30</u>
2000	\$ 51,222	\$524,183	\$435,281	\$140,124
2001	\$140,124	\$846,734	\$713,361	\$273,497

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

11. 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 2001, 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, 2001, 2000, and 1999 were \$86,178, \$68,398, and \$75,440 respectively. 49% has been contributed for the fiscal year 2001 and 100% for fiscal years 2000 and 1999. \$43,584 representing the unpaid contribution for the fiscal year 2001, 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, 2001

11. 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, 1999, 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, 2001, 2000, and 1999 were \$392,844, \$359,321, and \$378,997, respectively. 83% has been contributed for the fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$67,588 representing the unpaid contribution for the fiscal year 2001, is recorded as a liability within the respective funds.

12. 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 \$3.419 billion. For the fiscal year ended June 30, 2000 (the latest information available), eligible benefit recipients totaled 99,011 and net health care costs paid by STRS were \$283,137,000.

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 8.45 percent of covered payroll, an increase from 4.98 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

12. Post Employment Benefits (Continued)

benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, 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, 2000, net health care costs paid by SERS were \$140,696,340 and the target level was \$211.0 million. Net assets available for payment as of June 30, 2000 (the latest information available) by the Retirement System were \$252.3 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 \$52,017.

13. Segment Information For Enterprise Funds

The District maintains one Enterprise Fund which provides food services to the school. Therefore, segment information for the year ended June 30, 2001 is not presented in these notes.

14. 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.

15. 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, 2001.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

15. Contingencies and Commitments

School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A Change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in state funding for most Ohio school districts. However, as of November 15, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school district that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

16. Fund Balance Deficits

Fund equity balances at June 30, 2001, included the following individual fund deficits:

Internal Service \$(273,497)

The deficits in this fund was caused by the application of Generally Accepted Accounting Principles and a large amount of claims during the year. The Claims are managed by OME-RSA, which has increased the District premiums to make up for the deficit.

17. Set – Aside Requirements

The District is required by State law to set aside in the General Fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Cash Balance as of June 30, 2000	\$ -	\$ -	\$82,586
Current Year Set-aside Requirement	139,326	139,326	-
Elimination of non-BWC portion of the budget stabilization reserve	-	-	(52,528)
Qualifying Disbursements	<u>(139,326)</u>	<u>(139,326)</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,058</u>
Cash Balance Carried Forward to FY 2002			<u>\$ 30,058</u>

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BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

<u>Federal Grantor/ Sub-Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Ohio Department of Education			
Title I	84.010	046177-C1-S1-00 046177-C1-S1-00C 046177-C1-S1-01	\$ 67,316 10,496 76,737
Total Title I			
Title VI-B Education of the Handicapped Act	84.027	046177-6B-SF-00 046177-6B-SF-01	\$ 66,550 66,521
Total Title-VI-B			
Handicapped Preschool Incentive Grant	84.173	046177-PG-S1-00 046177-PG-S1-01	\$ 1,754 1,745
Total Preschool Incentive Grant			
Drug Free Schools	84.186	046177-DR-S1-99 046177-DR-S1-00 046177-DR-S1-01	\$ 5,865 5,161 3,889
Total Drug Free Schools			
Title VI	84.298	046177-C2-S1-99 046177-C2-S1-00 046177-C2-S1-01	\$ 5,460 5,684 4,653
Total Title VI			
Title VI-R	83.340	046177-CR-S1-00 046177-CR-S1-01	\$ 23,250 23,270
Total Title VI-R			

<u>Balance</u> <u>7/1/00</u>	<u>Federal</u> <u>Receipts</u>	<u>Transfers</u> <u>In</u>	<u>Federal</u> <u>Disbursements</u>	<u>Transfers</u> <u>Out</u>	<u>Balance</u> <u>6/30/01</u>
\$ 10,564	\$ -	\$ -	\$ 10,564	\$ -	\$ -
-	10,496	-	10,496	-	-
-	68,093	-	46,633	-	21,460
<u>10,564</u>	<u>78,589</u>	<u>-</u>	<u>67,693</u>	<u>-</u>	<u>21,460</u>
8,040	40,226	-	48,266	-	-
-	62,729	-	57,623	-	5,106
<u>8,040</u>	<u>102,955</u>	<u>-</u>	<u>105,889</u>	<u>-</u>	<u>5,106</u>
1,754	-	-	1,754	-	-
-	1,745	-	-	-	1,745
<u>1,754</u>	<u>1,745</u>	<u>-</u>	<u>1,754</u>	<u>-</u>	<u>1,745</u>
1,785	-	-	1,750	-	35
(576)	3,088	1,300	1,487	-	2,325
-	1,170	-	-	-	1,170
<u>1,209</u>	<u>4,258</u>	<u>1,300</u>	<u>3,237</u>	<u>-</u>	<u>3,530</u>
4,177	-	-	4,177	-	-
931	3,537	-	3,042	-	1,426
-	838	-	-	-	838
<u>5,108</u>	<u>4,375</u>	<u>-</u>	<u>7,219</u>	<u>-</u>	<u>2,264</u>
8,168	2,264	-	10,432	-	-
-	13,962	-	12,919	-	1,043
<u>\$ 8,168</u>	<u>\$ 16,226</u>	<u>\$ -</u>	<u>\$ 23,351</u>	<u>\$ -</u>	<u>\$ 1,043</u>

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

(Continued)

<u>Federal Grantor/ Sub-Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Ohio Department of Education: (Continued)			
Dwight D. Eisenhower Math Science Grant	84.281	046177-MS-S1-98 046177-MS-S1-99 046177-MS-S1-00 046177-MS-S1-01	\$ 2,586 2,785 4,256 4,313
Total Eisenhower Math Science Grant			
Virtual Middle School Grant	84.318	-	4,807
Total U.S. Department of Education			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Ohio Department of Education			
National School Lunch Program (B)	10.555	-	-
National School Breakfast Program (B)	10.553	-	-
Food Distribution Program (C)	10.550	-	-
Total U.S. Department of Agriculture			
Total Federal Financial Assistance (A)			

- (A) Schedule is presented on the cash basis of accounting. Federal Financial Assistance is determined to be on the First In, First Out basis.
- (B) Commingled with state and local revenue from the sale of lunches.
- (C) Food Distribution Program is for the purpose of reporting on this schedule only. Food Distribution Program is not a part of the accompanying financial statements. Dollar amounts reflected are market values assigned by the District for commodities.

<u>Balance</u> <u>7/1/00</u>	<u>Federal</u> <u>Receipts</u>	<u>Transfers</u> <u>In</u>	<u>Federal</u> <u>Disbursements</u>	<u>Transfers</u> <u>Out</u>	<u>Balance</u> <u>6/30/01</u>
\$ 644	\$ -	\$ -	\$ 644	\$ -	\$ -
2,828	-	-	2,828	-	-
879	-	-	879	-	-
-	3,882	-	417	-	3,465
<u>4,351</u>	<u>3,882</u>	<u>-</u>	<u>4,768</u>	<u>-</u>	<u>3,465</u>
149	4,658	-	4,807	-	-
<u>39,343</u>	<u>216,688</u>	<u>1,300</u>	<u>218,718</u>	<u>-</u>	<u>38,613</u>
-	67,694	-	67,694	-	-
-	21,402	-	21,402	-	-
<u>3,870</u>	<u>19,802</u>	<u>-</u>	<u>17,894</u>	<u>-</u>	<u>5,778</u>
<u>3,870</u>	<u>108,898</u>	<u>-</u>	<u>106,990</u>	<u>-</u>	<u>5,778</u>
<u>\$ 43,213</u>	<u>\$ 325,586</u>	<u>\$ 1,300</u>	<u>\$ 325,708</u>	<u>\$ -</u>	<u>\$ 44,391</u>

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS

The prior audit report for the period ending June 30, 2000 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

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, 2001 and have issued our report thereon date December 21, 2001. 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 December 21, 2001.

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 December 21, 2001.

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.

December 21, 2001

Guillan & Company

Guillan & Company

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Brown Local School District
Malvern, Ohio 44644

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 are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the 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 are applicable to each of its major federal programs for the year ended June 30, 2001.

**Brown Local School District
Carroll County**

Internal Control Over Compliance

The management of the Brown Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 in 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Auditor of State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 21, 2001

Guillan & Company

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2001

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 conditions were disclosed during the audit of the financial statements of the Brown Local School District.
3. No instances of noncompliance material to the financial statements of the Brown Local School District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Brown Local School District expresses an unqualified opinion.
6. No audit findings relative to the major programs for the Brown Local School District were disclosed during the audit.
7. The programs tested as major included: Title VI-B (84.027).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Brown Local School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS 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 December 21, 2001:

Sandra 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.



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OFFICE OF THE AUDITOR

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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
JANUARY 24, 2002**