



Dave Yost • Auditor of State

**BROWN LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown Local School District, Carroll County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brown Local School District, Carroll County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and No. 65, "*Items Previously Reported as Assets and Liabilities*". We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Award Receipts and Expenditures Schedule (Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 5, 2014

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Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The management's discussion and analysis of the Brown Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- Net Position of governmental activities increased \$368,474 which represents a 6.41 percent increase from fiscal year 2012.
- General revenues accounted for \$6,439,009 in revenue or 81.85 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$1,428,062 or 18.15 percent of total revenues of \$7,867,071.
- The District had \$7,498,597 in expenses related to governmental activities; \$1,428,062 of these expenses were offset by program specific charges for services and sales and grant and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,439,009 were adequate to provide for these programs.
- The District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$7,015,074 in revenues and other financing sources and \$6,826,649 in expenditures. During fiscal year 2013, the General Fund balance increased \$188,425.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund and permanent improvement capital projects fund are by far the most significant funds, and the only governmental funds reported as major funds.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2013?” The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s *net position* and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

The School District’s statement of net position and statement of activities can be found on pages 15 and 16 of this report.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major governmental funds begins on page 11. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the general fund and permanent improvement capital projects fund.

Governmental Funds

Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the School District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported on the statement of net position and in the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Proprietary Funds

The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for medical/surgical, vision and dental self-insurance. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for college scholarship programs. This activity is presented as a private-purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 25 and 26. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-49 of this report.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. The table below provides a summary of the School District's net position for 2013 and 2012.

	Net Position	
	Governmental Activities 2013	(Restated) Governmental Activities 2012
<u>Assets</u>		
Current and Other Assets	\$7,802,935	\$7,570,897
Capital Assets, Net	1,049,049	1,083,973
Total Assets	8,851,984	8,654,870
<u>Liabilities</u>		
Current Liabilities	609,173	729,603
Long-Term Liabilities	246,474	410,137
Total Liabilities	855,647	1,139,740
<u>Deferred Inflows of Resources</u>	1,882,087	1,769,354
<u>Net Position</u>		
Net Investment in Capital Assets	983,555	1,060,825
Restricted	670,200	674,814
Unrestricted	4,460,495	4,010,137
Total Net Position	\$6,114,250	\$5,745,776

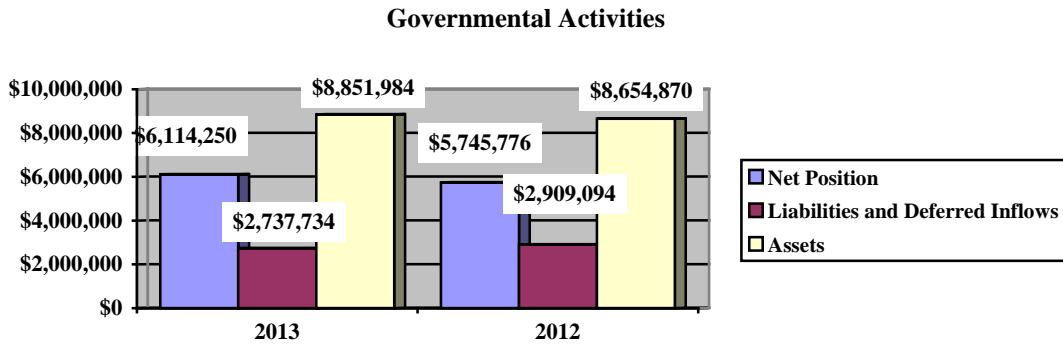
Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School District's assets exceeded liabilities by \$6,114,250. Of this total, \$4,460,495 is unrestricted in use.

At year-end, capital assets represented 11.85 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets at June 30, 2013, were \$1,049,049. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the School District's net position, \$670,200, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,460,495 may be used to meet the School District's ongoing obligations to the students and creditors.

The graph below presents the School District's governmental activities net position, liabilities (includes deferred inflows of resources) and assets for fiscal years 2013 and 2012:



The table below shows the change in net position for fiscal year 2013 and 2012.

	Change in Net Position	
	Governmental Activities 2013	Governmental Activities 2012
Revenues		
Program Revenues:		
Charges for Services and Sales	\$546,543	\$565,846
Operating Grants and Contributions	881,519	966,474
General Revenues:		
Property Taxes	3,488,152	3,430,586
Grants and Entitlements	2,883,395	2,880,999
Unrestricted Contributions	1,150	-
Investment Earnings	17,692	36,369
Other	48,620	5,397
Total Revenues	\$7,867,071	\$7,885,671

(continued)

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

	Change in Net Position	
	Governmental Activities 2013	Governmental Activities 2012
	<u>Expenses</u>	
Program Expenses:		
Instruction:		
Regular	\$3,658,694	\$3,903,167
Special	557,546	577,057
Vocational	69,268	68,004
Support services:		
Pupils	228,668	272,630
Instructional Staff	417,245	393,488
Board of Education	203,307	197,541
Administration	614,900	630,702
Fiscal	178,521	169,113
Operation and Maintenance of Plant	503,895	613,384
Pupil Transportation	369,586	379,340
Central	8,159	29,496
Food Service Operations	367,662	396,263
Extracurricular Activities	319,523	332,929
Interest and Fiscal Charges	1,623	1,620
Total Expenses	<u>7,498,597</u>	<u>7,964,734</u>
Change in Net Position	368,474	(79,063)
Net Position at Beginning of Year	<u>5,745,776</u>	<u>5,824,839</u>
Net Position at End of Year	<u><u>\$6,114,250</u></u>	<u><u>\$5,745,776</u></u>

Governmental Activities

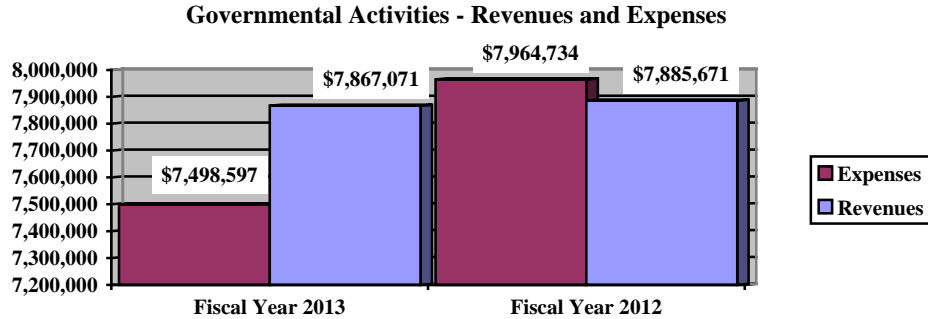
Net position of the School District's governmental activities increased \$368,474. Total governmental expenses of \$7,498,597 were offset by program revenues of \$1,428,062 and general revenues of \$6,439,009.

The primary sources of general revenues for governmental activities are derived from property taxes and grants and entitlements. General revenue sources represent 81.85 percent of total governmental revenue. While charges for services and sales program revenue represents 6.95 percent of total governmental revenue, operating grants and contributions program revenue represents 11.2 percent of total governmental revenue. The increase in tax revenue is caused by an increase in the assessed values of property upon which taxes are levied for the School District.

The largest expense of the School District is for instructional programs. Instruction expenses totaled \$4,285,508 or 57.15 percent of total governmental expenses for fiscal year 2013.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The graph below presents the School District's governmental activities revenue and expenses for fiscal year 2013 and 2012.



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

	Governmental Activities			
	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program Expenses				
Instruction:				
Regular	\$3,658,694	\$3,115,482	\$3,903,167	\$3,326,344
Special	557,546	257,411	577,057	198,872
Vocational	69,268	58,316	68,004	57,052
Support Services:				
Pupils	228,668	228,668	272,630	272,630
Instructional Staff	417,245	308,190	393,488	350,727
Board of Education	203,307	203,307	197,541	197,541
Administration	614,900	614,900	630,702	630,702
Fiscal	178,521	178,521	169,113	169,113
Operation and Maintenance of Plant	503,895	501,395	613,384	613,384
Pupil Transportation	369,586	369,586	379,340	356,300
Central	8,159	8,159	29,496	29,496
Food Service Operations	367,662	49,665	396,263	40,972
Extracurricular Activities	319,523	175,312	332,929	187,661
Interest and Fiscal Charges	1,623	1,623	1,620	1,620
Total Expenses	\$7,498,597	\$6,070,535	\$7,964,734	\$6,432,414

The dependence upon tax and other general revenues for governmental activities is apparent. For all governmental activities, general revenue support is over 85 percent. The School District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for School District's students.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The School District's Funds

The School District's governmental funds reported a combined fund balance of \$3,980,089 which is higher than last year's total. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase/ (Decrease)	Percentage Change
General	\$3,400,567	\$3,212,142	\$188,425	5.87 %
Permanent Improvement				
Capital Projects Fund	454,331	441,888	12,443	2.82 %
Other Governmental Funds	125,191	182,396	(57,205)	(31.36) %
Total	\$3,980,089	\$3,836,426	\$143,663	3.74 %

General Fund

The School District's general fund balance increased \$188,425. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2013 Amount	2012 Amount	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Property Taxes	\$3,416,772	\$3,367,592	\$49,180	1.46 %
Intergovernmental	3,109,145	3,105,956	\$3,189	0.10 %
Interest	11,409	13,211	(\$1,802)	(13.64) %
Tuition	319,522	325,183	(\$5,661)	(1.74) %
Other Revenues	88,549	48,991	\$39,558	80.75 %
Total Revenues	\$6,945,397	\$6,860,933	\$84,464	1.23 %
<u>Expenditures</u>				
Instruction	\$4,233,375	\$3,969,953	\$263,422	6.64 %
Support Services	2,364,568	2,335,405	\$29,163	1.25 %
Extracurricular Activities	199,751	205,701	(\$5,950)	(2.89) %
Debt Service	28,955	16,273	\$12,682	77.93 %
Total Expenditures	\$6,826,649	\$6,527,332	\$299,317	4.59 %

Tax revenue increased from the prior fiscal year, due primarily to increased assessed values of taxable property. Interest decreased, which can be attributed to lower interest rates and lower deposits in interest-bearing accounts. The increase in instruction is due to staff benefit increases due to the change in health insurance plan in the amount of \$85,476 and increases in purchased services such as tuition to other districts, open enrollment, and special education services in the amount of \$134,470.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Permanent Improvement Capital Projects Fund

The permanent improvement capital projects fund had \$71,741 in revenues and \$59,298 in expenditures. During fiscal year 2013, the permanent improvement fund's fund balance increased \$12,443.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District amended its general fund budget several times. For the general fund, original budgeted revenues were \$6,664,700 and final budgeted revenues were also \$6,664,700. Actual revenues for fiscal year 2013 totaled \$6,824,302. This represents a \$159,602 increase from final budgeted revenues.

General fund original appropriations of \$7,374,899 were increased to \$7,378,203 in the final appropriations. The actual budget basis expenditures for fiscal year 2013 totaled \$6,660,800, which was \$717,403 less than the final budget appropriations due to reduced spending in several areas such as operation and maintenance of plant and capital outlay.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$1,049,049 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2013 balances compared to 2012:

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

	Governmental Activities	
	2013	2012
Land	\$87,317	\$87,317
Land Improvements	119,288	125,488
Building and Improvements	412,307	450,131
Furniture and Equipment	251,162	202,923
Vehicles	178,975	218,114
Total	\$1,049,049	\$1,083,973

The overall decrease in capital assets of \$34,924 is due primarily to annual depreciation. This depreciation was partially offset by additions of capital assets, including copiers and other smaller items.

See Note 8 to the basic financial statements for additional information on the School District's capital assets.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Debt Administration

At June 30, 2013, the School District had a capital lease obligation of \$65,493 outstanding. The lease is comprised of one copier lease. \$12,926 of the capital lease obligation is due within one year, while the remainder is due in more than one year.

Outstanding Debt at June 30

	Governmental Activities 2013	Governmental Activities 2012
	<u>2013</u>	<u>2012</u>
Capital Leases	\$65,493	\$23,148

At June 30, 2013, the School District's overall legal debt margin was \$11,245,462 and the unvoted debt margin was \$124,950.

See Note 14 to the basic financial statements for additional information on the School District's debt administration.

Current Financial Related Activities

The School District relies on property tax revenue coupled with State revenue to maintain the education of our student body. With the changes in the funding formula in October, 2013, Brown Local School District received additional funding due to the State Guarantee in the amount of \$64,677. The Guarantee is expected to be removed in fiscal year 2015. However, the assessed valuation from Carroll County increased, which increases the amount of property tax revenue the School District receives. The School District continues to actively monitor expenditures in order to ensure that our operating expenses are within the forecasted levels.

The School District changed from a self-insured health insurance plan in January of 2013 to the Stark County Council of Governments health insurance plan. The projected savings to the School District was \$141,785. The employee premium savings was projected to be \$19,243.

On August 6, 2013, voters of the School District passed a 6.7 mil bond levy, coupled with a .5 mil permanent improvement levy. The funds will be used to build and maintain a new K-12 campus. The issue will generate \$17,152,577 and is paired with an Ohio School Facilities Commission allocation in the amount of \$7,351,104. The total building project cost is estimated at \$24,503,681.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Julie Erwin, Brown Local School District, 401 West Main Street, Malvern, Ohio 44644.

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Brown Local School District

Statement of Net Position

June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,475,566
Cash and Cash Equivalents with Fiscal Agents	1,125,081
Accounts Receivable	3,150
Accrued Interest Receivable	2,068
Intergovernmental Receivable	169,445
Inventory Held for Resale	11,017
Property Taxes Receivable	3,016,608
Nondepreciable Capital Assets	87,317
Depreciable Capital Assets, Net	961,732
<i>Total Assets</i>	<u>8,851,984</u>
Liabilities	
Accounts Payable	14,128
Accrued Wages and Benefits	395,470
Intergovernmental Payable	199,124
Claims Payable	451
Long-Term Liabilities:	
Due Within One Year	73,175
Due In More Than One Year	173,299
<i>Total Liabilities</i>	<u>855,647</u>
Deferred Inflows of Resources	
Property Taxes	<u>1,882,087</u>
Net Position	
Net Investment in Capital Assets	983,555
Restricted for:	
Capital Projects	456,446
Food Service	76,372
Regular Instruction	56,089
District Managed Student Activities	40,645
Other Purposes	40,648
Unrestricted	4,460,495
<i>Total Net Position</i>	<u><u>\$6,114,250</u></u>

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues		Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total
Instruction:				
Regular	\$3,658,694	\$319,522	\$223,690	(\$3,115,482)
Special	557,546	0	300,135	(257,411)
Vocational	69,268	0	10,952	(58,316)
Support Services:				
Pupils	228,668	0	0	(228,668)
Instructional Staff	417,245	0	109,055	(308,190)
Board of Education	203,307	0	0	(203,307)
Administration	614,900	0	0	(614,900)
Fiscal	178,521	0	0	(178,521)
Operation and Maintenance of Plant	503,895	2,500	0	(501,395)
Pupil Transportation	369,586	0	0	(369,586)
Central	8,159	0	0	(8,159)
Food Service Operations	367,662	80,310	237,687	(49,665)
Extracurricular Activities	319,523	144,211	0	(175,312)
Interest and Fiscal Charges	1,623	0	0	(1,623)
<i>Totals</i>	<u>\$7,498,597</u>	<u>\$546,543</u>	<u>\$881,519</u>	<u>(6,070,535)</u>
General Revenues				
Property Taxes Levied for:				
				3,428,797
				59,355
Grants and Entitlements not				
				2,883,395
				1,150
				17,692
				48,620
				<u>6,439,009</u>
				368,474
				<u>5,745,776</u>
				<u>\$6,114,250</u>

See accompanying notes to the basic financial statements

Brown Local School District*Balance Sheet**Governmental Funds**June 30, 2013*

	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,905,978	\$436,931	\$132,657	\$3,475,566
Accounts Receivable	3,150	0	0	3,150
Accrued Interest Receivable	2,068	0	0	2,068
Intergovernmental Receivable	29,128	0	140,317	169,445
Interfund Receivable	9,076	0	0	9,076
Inventory Held for Resale	0	0	11,017	11,017
Property Taxes Receivable	2,964,198	52,410	0	3,016,608
<i>Total Assets</i>	<u>\$5,913,598</u>	<u>\$489,341</u>	<u>\$283,991</u>	<u>\$6,686,930</u>
Liabilities				
Accounts Payable	\$9,902	\$0	\$4,226	\$14,128
Accrued Wages and Benefits	348,089	0	47,381	395,470
Interfund Payable	0	0	9,076	9,076
Intergovernmental Payable	187,362	0	11,762	199,124
<i>Total Liabilities</i>	<u>545,353</u>	<u>0</u>	<u>72,445</u>	<u>617,798</u>
Deferred Inflows of Resources				
Property Taxes	1,849,192	32,895	0	1,882,087
Unavailable Revenue	118,486	2,115	86,355	206,956
<i>Total Deferred Inflows of Resources</i>	<u>1,967,678</u>	<u>35,010</u>	<u>86,355</u>	<u>2,089,043</u>
Fund Balances				
Restricted	0	454,331	127,399	581,730
Committed	83,556	0	0	83,556
Assigned	63,899	0	0	63,899
Unassigned (Deficit)	3,253,112	0	(2,208)	3,250,904
<i>Total Fund Balances</i>	<u>3,400,567</u>	<u>454,331</u>	<u>125,191</u>	<u>3,980,089</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$5,913,598</u>	<u>\$489,341</u>	<u>\$283,991</u>	<u>\$6,686,930</u>

See accompanying notes to the basic financial statements

Brown Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2013*

Total Governmental Fund Balances	\$3,980,089
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*Amounts reported for governmental activities in the
 statement of net position are different because*

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

Capital Assets, not being depreciated	87,317
Capital Assets, being depreciated	4,576,787
Accumulated Depreciation	<u>(3,615,055)</u>

Total	1,049,049
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Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:

Delinquent Property Taxes	120,601
Intergovernmental	<u>86,355</u>

Total	206,956
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

1,124,630

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

Capital Lease Payable	(65,493)
Compensated Absences	<u>(180,981)</u>

Total	<u>(246,474)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$6,114,250</u></u>
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See accompanying notes to the basic financial statements

Brown Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,416,772	\$59,086	\$0	\$3,475,858
Intergovernmental	3,109,145	9,155	594,038	3,712,338
Interest	11,409	0	208	11,617
Tuition and Fees	319,522	0	0	319,522
Extracurricular Activities	25,299	0	102,490	127,789
Rentals	16,422	0	0	16,422
Charges for Services	0	2,500	80,310	82,810
Contributions and Donations	150	1,000	7,085	8,235
Miscellaneous	46,678	0	1,942	48,620
<i>Total Revenues</i>	<u>6,945,397</u>	<u>71,741</u>	<u>786,073</u>	<u>7,803,211</u>
Expenditures				
Current:				
Instruction:				
Regular	3,672,330	3,382	176,582	3,852,294
Special	491,777	0	77,653	569,430
Vocational	69,268	0	0	69,268
Support Services:				
Pupils	228,009	0	0	228,009
Instructional Staff	268,829	29,373	114,826	413,028
Board of Education	201,308	1,999	0	203,307
Administration	708,277	0	0	708,277
Fiscal	178,820	0	0	178,820
Operation and Maintenance of Plant	439,485	18,044	0	457,529
Pupil Transportation	331,681	0	0	331,681
Central	8,159	0	0	8,159
Food Service Operations	0	0	360,107	360,107
Extracurricular Activities	199,751	6,500	114,110	320,361
Debt Service:				
Principal Retirement	27,332	0	0	27,332
Interest and Fiscal Charges	1,623	0	0	1,623
<i>Total Expenditures</i>	<u>6,826,649</u>	<u>59,298</u>	<u>843,278</u>	<u>7,729,225</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	118,748	12,443	(57,205)	73,986
Other Financing Sources				
Inception of Capital Lease	69,677	0	0	69,677
<i>Net Change in Fund Balances</i>	188,425	12,443	(57,205)	143,663
<i>Fund Balances Beginning of Year</i>	<u>3,212,142</u>	<u>441,888</u>	<u>182,396</u>	<u>3,836,426</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,400,567</u></u>	<u><u>\$454,331</u></u>	<u><u>\$125,191</u></u>	<u><u>\$3,980,089</u></u>

See accompanying notes to the basic financial statements

Brown Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds \$143,663

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

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	100,911	
Current Year Depreciation	(135,835)	
Total		(34,924)

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

Delinquent Property Taxes	12,294	
Intergovernmental	45,283	
Total		57,577

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 27,332

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds. 206,008

Inception of a capital lease is an other financing source in the governmental funds, but increases liabilities in governmental activities. (69,677)

The internal service fund used by management to charge the cost of health insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for the governmental funds is reported for the year. 38,495

Change in Net Position of Governmental Activities \$368,474

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget		
Revenues				
Property Taxes	\$3,310,000	\$3,310,000	\$3,355,202	\$45,202
Intergovernmental	3,045,500	3,045,500	3,109,145	63,645
Interest	18,000	18,000	9,461	(8,539)
Tuition and Fees	279,200	279,200	319,522	40,322
Rentals	6,000	6,000	13,272	7,272
Contributions and Donations	0	0	150	150
Miscellaneous	6,000	6,000	17,550	11,550
<i>Total Revenues</i>	6,664,700	6,664,700	6,824,302	159,602
Expenditures				
Current:				
Instruction:				
Regular	3,604,637	3,605,008	3,586,469	18,539
Special	485,519	486,519	492,572	(6,053)
Vocational	69,385	69,385	68,899	486
Support Services:				
Pupils	264,664	265,764	206,212	59,552
Instructional Staff	414,162	395,762	297,797	97,965
Board of Education	207,764	221,913	205,975	15,938
Administration	675,193	674,443	635,771	38,672
Fiscal	186,642	191,843	177,975	13,868
Operation and Maintenance of Plant	558,469	558,914	451,485	107,429
Pupil Transportation	366,897	367,348	331,312	36,036
Central	30,420	30,157	8,159	21,998
Extracurricular Activities	211,147	211,147	198,174	12,973
Capital Outlay	300,000	300,000	0	300,000
<i>Total Expenditures</i>	7,374,899	7,378,203	6,660,800	717,403
<i>Excess of Revenues Over (Under) Expenditures</i>	(710,199)	(713,503)	163,502	877,005
Other Financing Uses				
Transfers Out	(75,000)	(85,000)	(85,000)	0
<i>Net Change in Fund Balance</i>	(785,199)	(798,503)	78,502	877,005
<i>Fund Balance Beginning of Year</i>	2,645,311	2,645,311	2,645,311	0
Prior Year Encumbrances Appropriated	41,664	41,664	41,664	0
<i>Fund Balance End of Year</i>	\$1,901,776	\$1,888,472	\$2,765,477	\$877,005

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2013

	<u>Insurance</u>
Assets	
Cash and Cash Equivalents with Fiscal Agents	\$1,125,081
Liabilities	
Claims Payable	<u>451</u>
Net Position	
Unrestricted	<u><u>\$1,124,630</u></u>

See accompanying notes to the basic financial statements

Brown Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2013*

	Insurance
Operating Revenues	
Charges for Services	\$637,581
Operating Expenses	
Purchased Services	199,392
Claims	405,977
<i>Total Operating Expenses</i>	605,369
<i>Operating Income</i>	32,212
Non-Operating Revenues	
Interest	6,283
<i>Change in Net Position</i>	38,495
<i>Net Position Beginning of Year</i>	1,086,135
<i>Net Position End of Year</i>	\$1,124,630

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2013

	Insurance
Increase/(Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Internal Services Provided	\$637,581
Cash Payments for Services	(199,392)
Cash Payments for Claims	(502,649)
<i>Net Cash Used for Operating Activities</i>	(64,460)
Cash Flows from Investing Activities	
Interest on Investments	6,283
<i>Net Decrease in Cash and Cash Equivalents</i>	(58,177)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,183,258
<i>Cash and Cash Equivalents End of Year</i>	\$1,125,081
 Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating Income	\$32,212
Adjustments:	
Decrease in Claims Payable	(96,672)
<i>Net Cash Used for Operating Activities</i>	(\$64,460)
See accompanying notes to the basic financial statements	

Brown Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private-Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$7,030	<u><u>\$42,740</u></u>
Liabilities		
Due to Students	<u>0</u>	<u><u>\$42,740</u></u>
Net Position		
Held in Trust for Scholarships	<u><u>\$7,030</u></u>	

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Fund
June 30, 2013

	<u>Scholarship</u>
Additions	
Interest	\$19
Deductions	
Scholarships Awarded	<u>2,500</u>
<i>Change in Net Position</i>	(2,481)
<i>Net Position at Beginning of Year</i>	<u>9,511</u>
<i>Net Position at End of Year</i>	<u><u>\$7,030</u></u>

See accompanying notes to the basic financial statements

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 - Description of the School District

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

The School District is located in Malvern, Carroll County, Ohio and serves an area of approximately 33 square miles including the northwest portion of Carroll County and a small portion of southeast Stark County. It is staffed by 32 non-certified employees and 53 certified employees who provide services to 698 students and other community members. The School District operates one school building for students K-12 and one support building.

Reporting Entity

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

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

The School District participates in the Stark-Portage Area Computer Consortium, a jointly governed organization, and the Jefferson Health Plan, the Stark County Schools Council of Government and the Schools of Ohio Risk Sharing Authority, all public entity risk pools. These organizations are presented in Note 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

Fund Accounting

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

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

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

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

Measurement Focus

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

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2013, investments were limited to STAR Ohio, Federal Home Loan Bank Bonds, a repurchase agreement, and nonnegotiable certificates of deposit. Nonparticipating investment contract such as nonnegotiable certificates of deposit are reported at cost.

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 STAROhio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$11,409 which includes \$1,696 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

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

Inventory

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

Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	4 - 5 years

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net position.

Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 57 or over with 2 or more years of service or employees age 52 or over with 22 or more years of service or employees with 27 or more years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

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

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. These amounts are assigned by the School District Board of Education. In governmental funds other than the general fund, assigned amounts represent intended uses established by the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

Operating Revenues and Expenses

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 3 – Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53,” Statement No. 65, “Items Previously Reported as Assets and Liabilities,” and Statement No. 66, “Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).
4. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
5. Budgetary revenues and expenditures of the public school support and termination benefits funds are reclassified to the general fund for GAAP reporting.

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

Net Change in Fund Balance	
GAAP Basis	\$188,425
Net Adjustment for Revenue Accruals	(300,951)
Beginning Fair Value Adjustment for Investments	(120)
Net Adjustment for Expenditure Accruals	323,563
Perspective Differences:	
Public School Support	6,211
Termination Benefits	(62,371)
Adjustment for Encumbrances	(76,255)
	\$78,502
Budget Basis	\$78,502

Note 5 - Deposits and Investments

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2013, the School District's self-insurance internal service fund had a cash balance of \$1,125,081 with the Jefferson Health Plan, a claims servicing pool (See Note 10). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement No. 40. The classification of cash and cash equivalents and investments for the Jefferson Health Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Investments Investments are reported at fair value. As of June 30, 2013, the School District had the following investments.

Investment Type	Fair Value	Maturity
Repurchase Agreement	\$1,836,446	n/a
STAR Ohio	201,572	Average 57.5 days
Total Investments	<u>\$2,038,018</u>	

Interest Rate Risk The School District's investment policy does not further restrict interest rate risk from State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District and that investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements shall not exceed thirty days.

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

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. As of June 30, 2013, the School District had 90.11 percent of investments in a repurchase agreement.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value.

The School District receives property taxes from Carroll and Stark Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2013, was \$996,520 in the general fund and \$17,400 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$934,950 in the general fund and \$16,100 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$117,346,630	96.23%	\$118,917,780	95.17%
Public Utility Personal	4,588,150	3.76	6,021,590	4.82
General Business Personal	7,220	0.01	10,210	0.01
Total	\$121,942,000	100.00%	\$124,949,580	100.00%
Full Tax Rate per \$1,000 of assessed valuation:				
Operations	\$41.93		\$41.50	
Permanent Improvements	1.00		1.00	
Total	\$42.93		\$42.50	

Note 7 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

Litigation

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013
Governmental Activities				
<i>Non-Depreciable Assets:</i>				
Land	\$87,317	\$0	\$0	\$87,317
<i>Depreciable Assets:</i>				
Land Improvements	251,620	0	0	251,620
Building and Improvements	2,739,937	24,544	0	2,764,481
Furniture and Equipment	823,575	76,367	(12,866)	887,076
Vehicles	673,610	0	0	673,610
<i>Total Depreciable Assets</i>	<u>4,488,742</u>	<u>100,911</u>	<u>(12,866)</u>	<u>4,576,787</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(126,132)	(6,200)	0	(132,332)
Building and Improvements	(2,289,806)	(62,368)	0	(2,352,174)
Furniture and Equipment	(620,652)	(28,128)	12,866	(635,914)
Vehicles	(455,496)	(39,139)	0	(494,635)
<i>Total Accumulated Depreciation</i>	<u>(3,492,086)</u>	<u>(135,835) *</u>	<u>12,866</u>	<u>(3,615,055)</u>
<i>Depreciable Capital Assets, Net</i>	<u>996,656</u>	<u>(34,924)</u>	<u>0</u>	<u>961,732</u>
Governmental Activities Capital Assets, Net	<u>\$1,083,973</u>	<u>(\$34,924)</u>	<u>\$0</u>	<u>\$1,049,049</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$10,259
Support Services:	
Instructional Staff	1,228
Administration	7,112
Operation and Maintenance of Plant	66,773
Pupil Transportation	39,490
Food Service Operations	2,311
Extracurricular Activities	8,662
Total Depreciation Expense	<u>\$135,835</u>

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 9 - Receivables

Receivables at June 30, 2013, consisted of taxes, accounts, accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Title I Grant	\$64,810
Race to the Top Grant	38,895
Title VI-B Grant	26,622
Plain LSD Tuition Refund	15,448
BWC Refund	13,156
Title II-A Grant	8,487
Food Service Subsidy	1,503
State Fuel Tax Refund	524
Total	\$169,445

Note 10 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District contracted with SORSA (Schools of Ohio Risk Sharing Authority), a risk sharing pool, for liability, real property, building contents, boiler/machinery and vehicles. The following is a description of the School District's insurance coverage:

Type of Coverage	Coverage Amount
General Liability:	
Each Occurrence	\$2,000,000
Aggregate	4,000,000
Property/Building and Contents	19,858,240
Fleet:	
Comprehensive	Actual Cash Value
Collision	Actual Cash Value

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Workers' Compensation

For fiscal year 2013, the School District participated in the Stark County Schools Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "group savings fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

Self-Insurance

The School District offered medical/surgical, vision and dental claims coverage to all employees through a self-insurance internal service fund through December 31, 2012. As of January 1, 2013, the School District is no longer self-insured. The self-insurance fund is being utilized for the transition period to account for any runoff claims dated prior to January 1, 2013. Self-Funded Plans, Incorporated served as the third party administrator. The claims liability of \$451 reported in the internal service fund at June 30, 2013, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2012 and 2013 were:

	Beginning of Year	Year Claims	Claim Payments	End of Year
2012	\$95,778	\$664,871	\$663,526	\$97,123
2013	97,123	405,977	502,649	451

Note 11 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$105,865, \$106,189 and \$94,594, respectively. For fiscal year 2013, 80.28 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$374,340 and \$20,983 for the fiscal year ended June 30, 2013, \$393,729 and \$11,174 for the fiscal year ended June 30, 2012, and \$397,409 and \$9,216 for the fiscal year ended June 30, 2011. For fiscal year 2013, 79.95 percent has been contributed for the DB plan and 79.95 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$13,925 made by the School District and \$9,946 made by the plan members. In addition, member contributions of \$14,988 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 12 - Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$13,756 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$15,049, \$20,817, and \$11,454, respectively. For fiscal year 2013, 80.28 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$5,980, \$6,271, and \$6,087 respectively. For fiscal year 2013, 80.28 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$28,795, \$30,287, and \$30,570 respectively. For fiscal year 2013, 79.95 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 13 - Other Employee Benefits

Compensated Absences

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

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

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through Self-Funded Plans, Incorporated. The Board pays the cost of the monthly premium, \$8.50 per certified employee and \$5.95 per classified employee.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District also provides medical/surgical insurance, prescription drug, vision, and dental insurance through the Stark County Schools Council of Governments to all eligible employees. Employees have the option of choosing a traditional comprehensive plan with 80 percent co-payment of major medical expenses after deductibles or a Preferred Provider Organization (Medical Mutual or Aultcare) plan with a 90 percent co-pay of major medical expenses after deductibles. Monthly premiums for family/single are \$1,375.82/\$566.36 for medical, \$37.67/\$15.17 for vision, and \$177.4/\$71.91 for dental.

Note 14 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Outstanding 6/30/2012	Additions	Reductions	Outstanding 6/30/2013	Due in One Year
Governmental Activities					
Capital Leases	\$23,148	\$69,677	(\$27,332)	\$65,493	\$12,926
Compensated Absences	386,989	0	(206,008)	180,981	60,249
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$410,137</u>	<u>\$69,677</u>	<u>(\$233,340)</u>	<u>\$246,474</u>	<u>\$73,175</u>

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

The School District's overall debt margin was \$11,245,462 with an unvoted debt margin of \$124,950 at June 30, 2013.

Note 15 - Capital Leases

The School District has one capital lease for copier machines. This lease meets the criteria of a capital lease. The leased equipment is reported as a group in governmental activities at a cost of \$69,677; accumulated depreciation through June 30, 2013 amounted to \$4,645 leaving a book value of \$65,032. The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2013. The agreements provide for minimum, annual lease payments as follows:

Year Ending June 30,	
2014	\$15,552
2015	15,552
2016	15,552
2017	15,552
2018	<u>10,368</u>
Total minimum lease payments	72,576
Less: Amount representing interest	<u>(7,083)</u>
Present Value of Minimum Lease Payments	<u>\$65,493</u>

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 16 - Jointly Governed Organization and Public Entity Risk Pools

Jointly Governed Organization

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating schools districts. During fiscal year 2013, the School District paid \$72,067 to SPARCC for services rendered.

Public Entity Risk Pools

The Jefferson Health Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool is comprised of approximately 90 members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental, vision, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. The School District's deductible limit is \$35,000. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Self-Funded Plans, Incorporated.

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

The Schools of Ohio Risk Sharing Authority (SORSA) is a risk sharing insurance pool. The pool consists of 106 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 17 - Set-Asides

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

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

	Capital Improvements
Set-aside Balances as of June 30, 2012	\$0
Current Year Set-aside Requirement	122,093
Current Year Offsets	(57,786)
Qualifying Disbursements	(70,041)
Total	(\$5,734)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

The School District has qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

Note 18 – Encumbrances

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

General Fund	\$76,255
Other Governmental Funds	49,705
Total	\$125,960

Note 19 – Accountability

The Title VI-B and Improving Teacher Quality special revenue funds had deficit fund balances at June 30, 2013, of \$1,332 and \$876, respectively. The fund deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 20 – Fund Balances

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

Fund Balances	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total
<i>Restricted for</i>				
Food Service Operations	\$0	\$0	\$76,372	\$76,372
Athletics	0	0	40,645	40,645
Other Purposes	0	0	10,382	10,382
Capital Improvements	0	454,331	0	454,331
<i>Total Restricted</i>	0	454,331	127,399	581,730
<i>Committed to</i>				
Future Termination Benefits	54,851	0	0	54,851
Support Services	28,705	0	0	28,705
<i>Total Committed</i>	83,556	0	0	83,556
<i>Assigned to</i>				
Other Purposes	63,899	0	0	63,899
<i>Unassigned (Deficit)</i>	3,253,112	0	(2,208)	3,250,904
<i>Total Fund Balances</i>	\$3,400,567	\$454,331	\$125,191	\$3,980,089

Note 21 – Subsequent Events

On August 6, 2013, voters of the School District approved a 6.7 mil bond levy and a .5 mil permanent improvement levy. The funds will be used to build and maintain a new K-12 campus. The bond levy will generate \$17,152,577 and is paired with Ohio School Facilities Commission funding of \$7,351,104, for a total building project cost of \$24,503,681.

On December 17, the School District issued bonds in the amount of \$17,152,489 for the construction of a new K-12 campus. The bonds have interest rates from 1.5 to 5.125 percent and mature on January 15, 2050.

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**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor Program Title	Pass-Through Entity No.	Federal CFDA No.	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
<i>Non Cash Assistance (Food Distribution)</i>						
National School Lunch Program	N/A	10.555		\$ 16,652		\$ 16,652
<i>Cash Assistance:</i>						
National School Lunch Program	N/A	10.555	\$ 166,446		\$ 166,446	
National School Breakfast Program	N/A	10.553	75,884		75,884	
Total Child Nutrition Cluster			<u>242,330</u>	<u>16,652</u>	<u>242,330</u>	<u>16,652</u>
Total U.S. Department of Agriculture			<u>242,330</u>	<u>16,652</u>	<u>242,330</u>	<u>16,652</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I - Grants to Local Educational Agencies	C1-S1-2012 C1-S1-2013	84.010	32,912 108,564		32,497 104,986	
Total Title I - Grants to Local Educational Agencies			<u>141,476</u>		<u>137,483</u>	
Special Education Grants to States (IDEA Part B)	6B-SF-2012 6B-SF-2013	84.027	22,068 125,742		20,942 134,233	
Total Special Education Grants to States			<u>147,810</u>		<u>155,175</u>	
ARRA - Race to the Top - Resident Educator Program	2012 2013	84.395	850 31,401		31,255	
Total ARRA - Race to the Top			<u>32,251</u>		<u>31,255</u>	
Title II-A - Improving Teacher Quality Program	TR-S1-2012 TR-S1-2013	84.367	6,698 34,744		5,087 38,714	
Total Title II-A - Improving Teacher Quality Program			<u>41,442</u>		<u>43,801</u>	
Education Jobs Grant	2012	84.410	18,521		18,521	
Title II-D Education Technology Grants	2012	84.318			1,032	
Total U.S. Department of Education			<u>381,500</u>		<u>387,267</u>	
Totals			<u>\$ 623,830</u>	<u>\$ 16,652</u>	<u>\$ 629,597</u>	<u>\$ 16,652</u>

The accompanying notes to this schedule are an integral part of this schedule

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Brown Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown Local School District, Carroll County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 5, 2014, wherein we noted the District adopted the provisions of Governmental Accounting Standard Board Statements No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and No. 65, "*Items Previously Reported as Assets and Liabilities*".

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

March 5, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Brown Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Brown Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Brown Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 5, 2014

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster – CFDA # 10.553 & 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 19, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 5, 2014

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Dave Yost • Auditor of State

BROWN LOCAL SCHOOL DISTRICT

CARROLL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2014**