



Dave Yost • Auditor of State



**BROWN LOCAL SCHOOL DISTRICT  
CARROLL 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, 2015, 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, 2015, and the respective changes in financial position thereof and the 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, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

The Schedule of Federal Award Receipts and Expenditures (the Schedule) 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 relate 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 January 26, 2016, 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

January 26, 2016

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*Management's Discussion and Analysis*  
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The management's discussion and analysis of the Brown Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- Net Position of governmental activities increased \$285,353 from fiscal year 2014. This increase is primarily due to an increase in capital assets and a decrease in long-term liabilities.
- General revenues accounted for \$7,469,515 in revenue or 80.31 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$1,830,839 or 19.69 percent of total revenues of \$9,300,354.
- The School District continued to use the funding received from the Ohio School Facilities Commission (OSFC) in fiscal year 2014 to construct a new school building. Capital assets increased due to construction in progress related to the project. This building project will continue throughout fiscal year 2016.

### **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 classroom facilities capital projects fund are by far the most significant funds, and the only governmental funds reported as major funds.

### **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 2015?" 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.

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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 17 and 18 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 12. 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 the classroom facilities 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 19-23 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 24 and 25. 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.

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**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 27-58 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 2015 and 2014.

	<b>Net Position</b>	
	Governmental Activities	Governmental Activities
	2015	2014
<b><u>Assets</u></b>		
Current and Other Assets	\$30,675,753	\$33,468,947
Capital Assets, Net	4,890,345	1,338,742
<b>Total Assets</b>	<b>35,566,098</b>	<b>34,807,689</b>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	490,562	440,483
<b><u>Liabilities</u></b>		
Current Liabilities	1,932,125	1,170,969
Long-Term Liabilities:		
Due Within One Year	226,113	42,461
Due in More Than One Year:		
Net Pension Liability	7,235,340	8,597,850
Other Amounts	17,787,904	17,954,292
<b>Total Liabilities</b>	<b>27,181,482</b>	<b>27,765,572</b>
<b><u>Deferred Inflows of Resources</u></b>		
Property Taxes	1,909,980	2,112,081
Pension	1,309,326	0
<b>Total Deferred Inflows of Resources</b>	<b>3,219,306</b>	<b>2,112,081</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	1,831,996	1,013,855
Restricted	8,027,430	8,545,748
Unrestricted (Deficit)	(4,203,554)	(4,189,084)
<b>Total Net Position</b>	<b>\$5,655,872</b>	<b>\$5,370,519</b>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." which significantly revise accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual

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financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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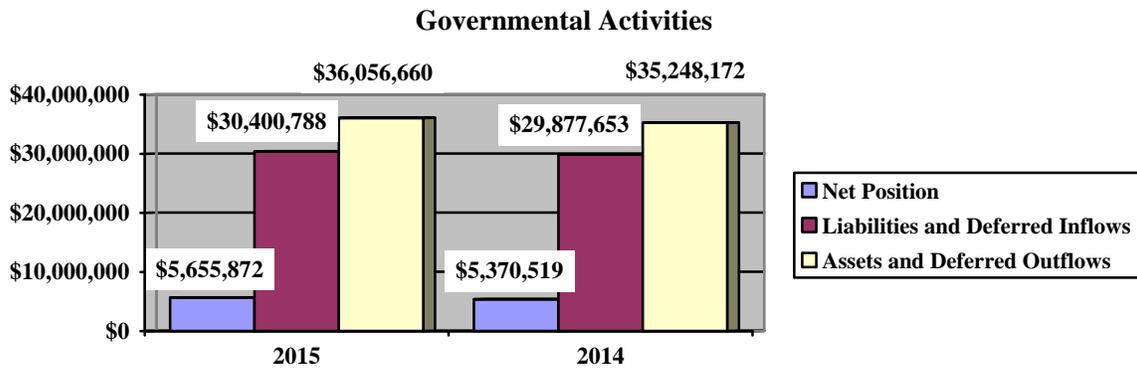
As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$13,527,886 to \$5,370,519.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the School District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,655,872. This amount is higher than net position at June 30, 2014, denoting an improvement in the School District's financial position.

At year-end, capital assets represented 13.75 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets at June 30, 2015, were \$4,890,345. 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, \$8,027,430, represents resources that are subject to external restriction on how they may be used. Since restricted net position and the net investment in capital assets exceed the total net position, there is no remaining unrestricted net position that may be used to meet the School District's ongoing obligations to the students and creditors. Rather, the unrestricted net position shows a deficit of \$4,203,554.

The graph below presents the School District's governmental activities net position, liabilities (includes deferred inflows of resources) and assets (includes deferred outflows of resources) for fiscal years 2015 and 2014:



The following table shows the change in net position for fiscal years 2015 and 2014.

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	<b>Change in Net Position</b>	
	Governmental Activities 2015	Governmental Activities 2014
<b><u>Revenues</u></b>		
Program Revenues:		
Charges for Services and Sales	\$553,613	\$593,907
Operating Grants and Contributions	1,277,226	1,101,562
General Revenues:		
Property Taxes	4,166,446	4,096,673
Grants and Entitlements	3,136,612	10,463,371
Investment Earnings	72,424	46,875
Miscellaneous	94,033	101,128
<b>Total Revenues</b>	<b>9,300,354</b>	<b>16,403,516</b>
<b><u>Expenses</u></b>		
Program Expenses:		
Instruction:		
Regular	4,308,742	4,522,458
Special	647,282	664,915
Vocational	33,813	30,764
Support Services:		
Pupils	274,125	278,803
Instructional Staff	339,302	239,374
Board of Education	274,030	264,065
Administration	561,092	612,626
Fiscal	187,352	211,322
Operation and Maintenance of Plant	558,247	540,411
Pupil Transportation	376,615	417,572
Central	4,436	4,664
Food Service Operations	304,967	359,483
Extracurricular Activities	321,417	328,901
Interest and Fiscal Charges	823,581	514,522
<b>Total Expenses</b>	<b>9,015,001</b>	<b>8,989,880</b>
<b>Change in Net Position</b>	<b>285,353</b>	<b>\$7,413,636</b>
<b>Net Position at Beginning of Year</b>	<b>5,370,519</b>	
<b>Net Position at End of Year</b>	<b>\$5,655,872</b>	

**Governmental Activities**

The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$440,483 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component

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of pension expense. Under GASB 68, the fiscal year 2015 statements report pension expense of \$319,081. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed:

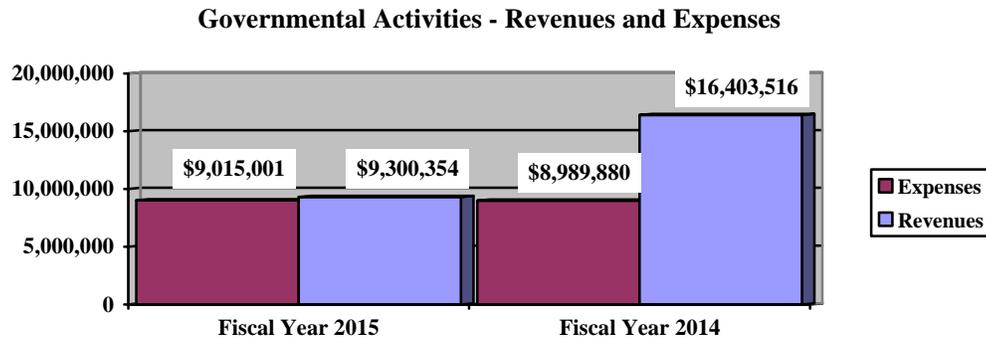
Total 2015 program expenses under GASB 68	\$9,015,001
Pension expense under GASB 68	(319,081)
2015 contractually required contribution	<u>422,344</u>
Adjusted 2015 program expenses	9,118,264
Total 2014 program expenses under GASB 27	<u>8,989,880</u>
Increase in program expenses not related to pension	<u><u>\$128,384</u></u>

Net position of the School District's governmental activities increased \$285,353. Total governmental expenses of \$9,015,001 were offset by revenues of \$9,300,354.

The primary sources of general revenues for governmental activities are derived from property taxes and grants and entitlements. General revenue sources represent 80.31 percent of total governmental revenue. Charges for services and sales program revenue represents 5.95 percent of total governmental revenue and operating grants and contributions program revenue represents 13.74 percent of total governmental revenue. The decrease in general revenue is mainly due to the prior fiscal year's receipt of OSFC monies for the purpose of constructing new school buildings.

The largest expense of the School District is for instructional programs. Instruction expenses totaled \$4,989,837 or 55.35 percent of total governmental expenses for fiscal year 2015.

The graph below presents the School District's governmental activities revenue and expenses for fiscal years 2015 and 2014.



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.

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<b>Governmental Activities</b>				
	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
<b>Program Expenses</b>				
Instruction:				
Regular	\$4,308,742	\$3,470,214	\$4,522,458	\$3,904,876
Special	647,282	237,585	664,915	262,918
Vocational	33,813	21,470	30,764	20,836
Support Services:				
Pupils	274,125	259,760	278,803	265,298
Instructional Staff	339,302	307,085	239,374	177,045
Board of Education	274,030	260,603	264,065	251,385
Administration	561,092	530,383	612,626	574,260
Fiscal	187,352	177,356	211,322	198,938
Operation and Maintenance of Plant	558,247	528,747	540,411	511,522
Pupil Transportation	376,615	348,425	417,572	397,395
Central	4,436	4,196	4,664	4,461
Food Service Operations	304,967	33,383	359,483	44,066
Extracurricular Activities	321,417	181,374	328,901	166,889
Interest and Fiscal Charges	823,581	823,581	514,522	514,522
<b>Total Expenses</b>	<b>\$9,015,001</b>	<b>\$7,184,162</b>	<b>\$8,989,880</b>	<b>\$7,294,411</b>

The dependence upon tax and other general revenues for governmental activities is apparent. For all governmental activities, general revenue support is over 80 percent of total revenues. 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.

**The School District's Funds**

The School District's governmental funds reported a combined fund balance of \$23,354,624 which is slightly higher than last year's total due to revenues and other financing sources continuing to outpace expenditures and other financing uses, despite having a smaller increase in fund balance for fiscal year 2015 than in fiscal year 2014. Both revenues and expenditures increased from fiscal year 2014, while total other financing sources and uses decreased. The increase in revenues and expenditures was due to the receipt and expenditure of OSFC monies related to the construction of a new school building. The decrease in total other financing sources and uses was related to the bond issuance in fiscal year 2014. The schedule below indicates the fund balance as of June 30, 2015 and 2014, and the total change in fund balance.

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase/ (Decrease)	Percentage Change
General	\$3,952,481	\$4,040,060	(\$87,579)	(2.17) %
Classroom Facilities				
Capital Projects Fund	16,332,455	17,105,657	(773,202)	(4.52) %
Other Governmental Funds	3,069,688	2,152,053	917,635	42.64 %
<b>Total</b>	<b>\$23,354,624</b>	<b>\$23,297,770</b>	<b>\$56,854</b>	<b>0.24 %</b>

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**General Fund**

The School District's general fund balance decreased \$87,579. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2015 Amount	2014 Amount	Increase/ (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Property Taxes	\$3,341,299	\$3,326,428	\$14,871	0.45 %
Intergovernmental	3,326,860	3,337,921	(11,061)	(0.33) %
Interest	5,420	26,367	(20,947)	(79.44) %
Tuition and Fees	366,028	365,211	817	0.22 %
Other Revenues	121,926	90,004	31,922	35.47 %
<b>Total Revenues</b>	<b>\$7,161,533</b>	<b>\$7,145,931</b>	<b>\$15,602</b>	<b>0.22 %</b>
<b><u>Expenditures</u></b>				
Instruction	\$3,985,634	\$4,469,581	(\$483,947)	(10.83) %
Support Services	2,610,799	2,394,655	216,144	9.03 %
Extracurricular Activities	202,417	203,960	(1,543)	(0.76) %
Capital Outlay	445,061	3,000	442,061	14,735.37 %
Debt Service	15,552	15,552	0	0.00 %
<b>Total Expenditures</b>	<b>\$7,259,463</b>	<b>\$7,086,748</b>	<b>\$172,715</b>	<b>2.44 %</b>

The most significant change was the decrease in instruction costs, due to a payment for insurance reserves in fiscal year 2014 in the amount of \$177,000. This allowed the School District to have two insurance premium holidays during fiscal year 2015, saving approximately \$160,000. Also, as more experienced and higher paid teachers retired they were replaced by less experienced and lower paid teachers. The sharp increase in capital outlay is due to the purchase of two school busses and land for the ongoing building project.

***Classroom Facilities Capital Projects Fund***

The classroom facilities capital projects fund had \$3,229,631 in revenues and \$3,403,540 in expenditures. During fiscal year 2015, the classroom facilities fund's fund balance decreased by \$773,202 due to higher capital outlay expenditures and a transfer to another capital projects fund related to the construction of a new school building.

***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 2015, the School District amended its general fund budget several times. For the general fund, original budgeted revenues were \$7,047,409 and final budgeted revenues were \$7,250,234, due in large part to increases in intergovernmental revenue. Actual revenues for fiscal year 2015 totaled \$7,123,342. This represents a \$126,892 decrease from final budgeted revenues.

**Brown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

General fund original appropriations of \$8,109,841 were increased to \$8,524,177 in the final appropriations. The actual budget basis expenditures for fiscal year 2015 totaled \$7,502,869, which was \$1,021,308 less than the final budget appropriations due to reduced spending in several areas such as instruction, operation and maintenance of plant, and capital outlay.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2015, the School District had \$4,890,345 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2015 balances compared to 2014:

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

	Governmental Activities	
	2015	2014
Land	\$447,649	\$87,317
Construction in Progress	3,954,593	409,232
Land Improvements	102,098	113,088
Building and Improvements	3,253	348,811
Furniture and Equipment	137,448	238,504
Vehicles	245,304	141,790
Total	\$4,890,345	\$1,338,742

The overall increase in capital assets of \$3,551,603 is primarily due to construction in progress related to new building construction. See Note 14 to the basic financial statements for additional information on the School District's capital assets.

*Debt Administration*

At June 30, 2015, the School District had outstanding debt obligations of \$17,865,197. The general obligation bonds were issued in fiscal year 2014 for the purpose of constructing new school buildings. The capital lease is composed of one copier lease. Of the total outstanding debt obligations, \$198,590, related to both general obligation bonds and the capital lease obligation, is due within one year, while the remainder is due in more than one year.

**Brown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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**Outstanding Debt at June 30**

	Governmental Activities 2015	Governmental Activities 2014
General Obligation Bonds	\$17,826,137	\$17,792,075
Capital Leases	39,060	52,567
Total	<u>\$17,865,197</u>	<u>\$17,844,642</u>

At June 30, 2015, the School District's overall legal debt margin was \$0 and the unvoted debt margin was \$122,237.

See Notes 15 and 16 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. During fiscal year 2015, the School District saw an overall increase in State foundation revenue. The School District continues to actively monitor expenditures in order to ensure that our operating expenses are within the forecasted levels.

Two insurance holidays occurred during fiscal year 2015, at a total savings to the School District of \$160,000. This also provided a savings to employees, as they did not pay the employee portion for two months as well.

**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: Mr. James Carman, 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, 2015*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$23,569,153
Accounts Receivable	561
Accrued Interest Receivable	1,899
Intergovernmental Receivable	3,817,237
Inventory Held for Resale	10,457
Property Taxes Receivable	3,276,446
Nondepreciable Capital Assets	4,402,242
Depreciable Capital Assets, Net	488,103
<i>Total Assets</i>	<u>35,566,098</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>490,562</u>
<b>Liabilities</b>	
Accounts Payable	29,460
Contracts Payable	842,563
Accrued Wages and Benefits	515,887
Intergovernmental Payable	183,146
Accrued Interest Payable	361,069
Long-Term Liabilities:	
Due Within One Year	226,113
Due in More Than One Year:	
Net Pension Liability (See Note 18)	7,235,340
Other Amounts	17,787,904
<i>Total Liabilities</i>	<u>27,181,482</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	1,909,980
Pension	<u>1,309,326</u>
<i>Total Deferred Inflows of Resources</i>	<u>3,219,306</u>
<b>Net Position</b>	
Net Investment in Capital Assets	1,831,996
Restricted for:	
Capital Projects	7,806,277
Food Service	49,220
Regular Instruction	30,077
District Managed Student Activities	16,656
Other Purposes	125,200
Unrestricted (Deficit)	<u>(4,203,554)</u>
<i>Total Net Position</i>	<u><u>\$5,655,872</u></u>

See accompanying notes to the basic financial statements

**Brown Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Total
<b>Instruction:</b>				
Regular	\$4,308,742	\$182,342	\$656,186	(\$3,470,214)
Special	647,282	31,131	378,566	(237,585)
Vocational	33,813	1,891	10,452	(21,470)
<b>Support Services:</b>				
Pupils	274,125	14,365	0	(259,760)
Instructional Staff	339,302	14,015	18,202	(307,085)
Board of Education	274,030	13,427	0	(260,603)
Administration	561,092	30,409	300	(530,383)
Fiscal	187,352	9,996	0	(177,356)
Operation and Maintenance of Plant	558,247	29,500	0	(528,747)
Pupil Transportation	376,615	28,190	0	(348,425)
Central	4,436	240	0	(4,196)
Food Service Operations	304,967	58,064	213,520	(33,383)
Extracurricular Activities	321,417	140,043	0	(181,374)
Interest and Fiscal Charges	823,581	0	0	(823,581)
<b>Totals</b>	<b>\$9,015,001</b>	<b>\$553,613</b>	<b>\$1,277,226</b>	<b>(7,184,162)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	3,371,792
Debt Service	674,463
Capital Outlay	64,275
Other Purposes	55,916
Grants and Entitlements not	
Restricted to Specific Programs	3,136,612
Investment Earnings	72,424
Miscellaneous	94,033

*Total General Revenues*

7,469,515

Change in Net Position

285,353

*Net Position Beginning of Year – Restated (See Note 3)*

5,370,519

*Net Position End of Year*

\$5,655,872

See accompanying notes to the basic financial statements

**Brown Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2015*

	General Fund	Classroom Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,502,549	\$17,129,263	\$2,937,341	\$23,569,153
Accounts Receivable	89	0	472	561
Accrued Interest Receivable	1,899	0	0	1,899
Intergovernmental Receivable	12,443	3,584,235	220,559	3,817,237
Interfund Receivable	110,651	0	0	110,651
Inventory Held for Resale	0	0	10,457	10,457
Property Taxes Receivable	2,420,558	0	855,888	3,276,446
<i>Total Assets</i>	<u>\$6,048,189</u>	<u>\$20,713,498</u>	<u>\$4,024,717</u>	<u>\$30,786,404</u>
<b>Liabilities</b>				
Accounts Payable	\$13,655	\$0	\$15,805	\$29,460
Contracts Payable	0	796,808	45,755	842,563
Accrued Wages and Benefits	446,845	0	69,042	515,887
Interfund Payable	0	0	110,651	110,651
Intergovernmental Payable	170,870	0	12,276	183,146
<i>Total Liabilities</i>	<u>631,370</u>	<u>796,808</u>	<u>253,529</u>	<u>1,681,707</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	1,325,504	0	584,476	1,909,980
Unavailable Revenue	138,834	3,584,235	117,024	3,840,093
<i>Total Deferred Inflows of Resources</i>	<u>1,464,338</u>	<u>3,584,235</u>	<u>701,500</u>	<u>5,750,073</u>
<b>Fund Balances</b>				
Restricted	0	16,332,455	3,125,030	19,457,485
Committed	300,500	0	0	300,500
Assigned	941,715	0	0	941,715
Unassigned (Deficit)	2,710,266	0	(55,342)	2,654,924
<i>Total Fund Balances</i>	<u>3,952,481</u>	<u>16,332,455</u>	<u>3,069,688</u>	<u>23,354,624</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$6,048,189</u>	<u>\$20,713,498</u>	<u>\$4,024,717</u>	<u>\$30,786,404</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, 2015*

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<b>Total Governmental Fund Balances</b>	<b>\$23,354,624</b>
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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	4,402,242
Capital Assets, being depreciated	1,741,637
Accumulated Depreciation	<u>(1,253,534)</u>

Total	4,890,345
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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	173,726
Intergovernmental	<u>3,666,367</u>

Total	3,840,093
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(361,069)

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

General Obligation Bonds	(17,222,996)
Premium on Bonds	(708,097)
Discount on Bonds	104,956
Capital Lease Payable	(39,060)
Compensated Absences	<u>(148,820)</u>

Total	<u>(18,014,017)</u>
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The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:

Deferred Outflows - Pension	490,562
Deferred Inflows - Pension	(1,309,326)
Net Pension Liability	<u>(7,235,340)</u>

Total	<u>(8,054,104)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$5,655,872</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, 2015*

	General Fund	Classroom Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$3,341,299	\$0	\$790,674	\$4,131,973
Intergovernmental	3,326,860	3,164,583	1,164,609	7,656,052
Interest	5,420	65,048	2,086	72,554
Tuition and Fees	366,028	0	0	366,028
Extracurricular Activities	26,775	0	100,856	127,631
Rentals	1,890	0	0	1,890
Charges for Services	0	0	58,064	58,064
Contributions and Donations	0	0	5,975	5,975
Miscellaneous	93,261	0	772	94,033
<i>Total Revenues</i>	<u>7,161,533</u>	<u>3,229,631</u>	<u>2,123,036</u>	<u>12,514,200</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,374,506	0	764,214	4,138,720
Special	576,126	0	78,604	654,730
Vocational	35,002	0	0	35,002
Support Services:				
Pupils	281,674	0	0	281,674
Instructional Staff	259,368	0	82,814	342,182
Board of Education	248,492	0	25,408	273,900
Administration	559,844	0	1,278	561,122
Fiscal	186,295	0	0	186,295
Operation and Maintenance of Plant	548,986	0	4,832	553,818
Pupil Transportation	521,704	0	0	521,704
Central	4,436	0	0	4,436
Food Service Operations	0	0	301,487	301,487
Extracurricular Activities	202,417	0	109,777	312,194
Capital Outlay	445,061	3,403,540	139,272	3,987,873
Debt Service:				
Principal Retirement	13,507	0	0	13,507
Interest and Fiscal Charges	2,045	0	849,057	851,102
<i>Total Expenditures</i>	<u>7,259,463</u>	<u>3,403,540</u>	<u>2,356,743</u>	<u>13,019,746</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(97,930)</u>	<u>(173,909)</u>	<u>(233,707)</u>	<u>(505,546)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	12,400	0	550,000	562,400
Transfers In	0	0	601,342	601,342
Transfers Out	(2,049)	(599,293)	0	(601,342)
<i>Total Other Financing Sources (Uses)</i>	<u>10,351</u>	<u>(599,293)</u>	<u>1,151,342</u>	<u>562,400</u>
<i>Net Change in Fund Balances</i>	(87,579)	(773,202)	917,635	56,854
<i>Fund Balances Beginning of Year</i>	<u>4,040,060</u>	<u>17,105,657</u>	<u>2,152,053</u>	<u>23,297,770</u>
<i>Fund Balances End of Year</i>	<u>\$3,952,481</u>	<u>\$16,332,455</u>	<u>\$3,069,688</u>	<u>\$23,354,624</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, 2015*

**Net Change in Fund Balances - Total Governmental Funds** \$56,854

*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 capital outlay exceeded depreciation in the current period.

Capital Asset Additions	4,180,893	
Current Year Depreciation	(60,005)	
Total		4,120,888

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

(569,285)

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

Delinquent Property Taxes	34,473	
Intergovernmental	(3,505,159)	
Total		(3,470,686)

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

13,507

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

Accrued Interest	61,583	
Annual Accretion	(51,586)	
Amortization of Bond Premium	20,574	
Amortization of Bond Discount	(3,050)	
Total		27,521

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.

3,291

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

422,344

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

(319,081)

*Change in Net Position of Governmental Activities*

\$285,353

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, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget		
<b>Revenues</b>				
Property Taxes	\$3,357,284	\$3,414,738	\$3,323,315	(\$91,423)
Intergovernmental	3,248,450	3,355,626	3,329,433	(26,193)
Interest	25,000	15,000	8,234	(6,766)
Tuition and Fees	368,675	364,370	366,028	1,658
Rentals	32,000	5,000	4,910	(90)
Contributions and Donations	200	200	0	(200)
Miscellaneous	15,800	95,300	91,422	(3,878)
<i>Total Revenues</i>	7,047,409	7,250,234	7,123,342	(126,892)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,689,662	3,833,282	3,386,705	446,577
Special	635,816	635,816	577,834	57,982
Vocational	65,651	65,651	34,788	30,863
Support Services:				
Pupils	360,490	416,602	376,478	40,124
Instructional Staff	243,196	271,996	266,336	5,660
Board of Education	288,038	312,482	295,138	17,344
Administration	631,386	631,386	593,022	38,364
Fiscal	206,855	206,743	201,102	5,641
Operation and Maintenance of Plant	680,039	725,039	578,989	146,050
Pupil Transportation	559,403	559,403	548,569	10,834
Central	7,150	5,350	4,436	914
Operation of Non-Instructional Services	556	1,112	0	1,112
Extracurricular Activities	238,599	238,599	194,411	44,188
Capital Outlay	503,000	620,716	445,061	175,655
<i>Total Expenditures</i>	8,109,841	8,524,177	7,502,869	1,021,308
<i>Excess of Revenues Under Expenditures</i>	(1,062,432)	(1,273,943)	(379,527)	894,416
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	12,400	12,400
Transfers Out	(75,000)	(75,000)	(77,049)	(2,049)
<i>Total Other Financing Sources (Uses)</i>	(75,000)	(75,000)	(64,649)	10,351
<i>Net Change in Fund Balance</i>	(1,137,432)	(1,348,943)	(444,176)	904,767
<i>Fund Balance Beginning of Year</i>	2,873,727	2,873,727	2,873,727	0
<i>Prior Year Encumbrances Appropriated</i>	754,871	754,871	754,871	0
<i>Fund Balance End of Year</i>	\$2,491,166	\$2,279,655	\$3,184,422	\$904,767

See accompanying notes to the basic financial statements

**Brown Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2015*

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	Private-Purpose Trust	Agency
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,555	<u><u>\$47,515</u></u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u><u>\$47,515</u></u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u><u>\$4,555</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, 2015*

	Scholarship
<b>Additions</b>	
Interest	\$11
<b>Deductions</b>	
Scholarships Awarded	1,000
<i>Change in Net Position</i>	(989)
<i>Net Position at Beginning of Year</i>	5,544
<i>Net Position at End of Year</i>	\$4,555

See accompanying notes to the basic financial statements

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**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

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

The School District is located in Malvern, Carroll County, Ohio and serves an area of approximately 33 square miles including the northwest portion of Carroll County and a small portion of southeast Stark County. It is staffed by 30 non-certified employees and 52 certified employees who provide services to 674 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 composed 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 Stark County Schools Council of Governments and the Schools of Ohio Risk Sharing Authority, both public entity risk pools. These organizations are presented in Note 17 to the basic financial statements.

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2015*

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***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 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 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. The School District has no proprietary funds.

***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, 2015*

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***Classroom Facilities Capital Projects Fund*** The classroom facilities capital projects fund accounts for restricted debt proceeds to be used for acquisition and/or construction of new school 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.

***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.

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.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
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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 9). 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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 18.

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, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 18).

***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.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
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During fiscal year 2015, investments were limited to repurchase agreements, federal home loan bank bonds, federal home loan mortgage bonds, federal national mortgage association bonds, United States Treasury notes, federal farm credit bank bonds, STAR Ohio, First American Treasury obligations, and nonnegotiable certificates of deposit. Nonparticipating investment contracts 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 STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2015.

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 classroom facilities capital projects fund during fiscal year 2015 amounted to \$65,048 which includes \$12,318 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.

***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. 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.

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 and construction in progress 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:

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
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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. 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, 2015, 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, 2015, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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 net pension liability 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.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***Pensions***

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

***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. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of 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. The Board of Education assigned fund balance for public school support.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

***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.

**Note 3 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

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Net Position June 30, 2014	\$13,527,886
Adjustments:	
Net Pension Liability	(8,597,850)
Deferred Outflow - Payments Subsequent to Measurement Date	440,483
	\$5,370,519
Restated Net Position June 30, 2014	\$5,370,519

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources, because the information needed to generate these restatements was not available.

**Note 4 – Accountability**

The Race to the Top, Title VI-B, Improving Teacher Quality, and Title II-D special revenue funds had deficit fund balances at June 30, 2015, of \$1,266, \$2,098, \$214 and \$51,764, 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.

**Note 5 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, 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.

**Brown Local School District**  
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Net Change in Fund Balance

GAAP Basis	(\$87,579)
Net Adjustment for Revenue Accruals	(13,057)
Beginning Fair Value Adjustment for Investments	13,981
Ending Fair Value Adjustment for Investments	(12,340)
Net Adjustment for Expenditure Accruals	(28,148)
Perspective Differences:	
Public School Support	(3,482)
Termination Benefits	(75,000)
Adjustment for Encumbrances	<u>(238,551)</u>
Budget Basis	<u><u>(\$444,176)</u></u>

**Note 6 – Deposits and Investments**

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

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

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

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

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

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

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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.

***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$7,053,839 of the School District's bank balance of \$10,273,812 was uninsured and uncollateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***Investments***

Investments are reported at fair value. As of June 30, 2015, the School District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-2
Repurchase Agreements	\$3,575,372	\$3,575,372	\$0
Federal Home Loan Bank Bonds	3,525,726	2,100,055	1,425,671
Federal Home Loan Mortgage Bonds	2,095,537	805,555	1,289,982
Federal National Mortgage Association Bonds	1,551,607	0	1,551,607
United States Treasury Notes	1,262,075	961,277	300,798
Federal Farm Credit Bank Bonds	1,145,254	1,145,254	0
STAR Ohio	793,633	793,633	0
First American Treasury Obligation	6,733	6,733	0
<b>Total Investments</b>	<b>\$13,955,937</b>	<b>\$9,387,879</b>	<b>\$4,568,058</b>

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
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**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** The Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Bonds, Federal National Mortgage Association Bonds, United States Treasury Notes, and Federal Farm Credit Bank Bonds carry a rating of Aaa by Moody’s. 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 First American Treasury Obligation carries a credit rating of Aaa-mf by Moody’s. The repurchase agreements are not rated. 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. The following is the School District’s allocation as of June 30, 2015:

Investment	Percentage of Investments
Repurchase Agreements	25.62 %
Federal Home Loan Bank Bonds	25.26
Federal Home Loan Mortgage Bonds	15.02
Federal National Mortgage Association Bonds	11.12
United States Treasury Notes	9.04
Federal Farm Credit Bank Bonds	8.21
First American Treasury Obligation	0.05

**Note 7 – 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:

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Fund Balances	General Fund	Classroom Facilities Capital Projects Fund	Other Governmental Funds	Total
<b><i>Restricted for</i></b>				
Food Service Operations	\$0	\$0	\$49,220	\$49,220
Athletics	0	0	16,656	16,656
Special Education	0	0	10,686	10,686
Instructional Services	0	0	4,929	4,929
School Maintenance	0	0	108,329	108,329
Debt Service Payments	0	0	915,191	915,191
Capital Improvements	0	16,332,455	2,020,019	18,352,474
<b><i>Total Restricted</i></b>	<b>0</b>	<b>16,332,455</b>	<b>3,125,030</b>	<b>19,457,485</b>
<b><i>Committed to</i></b>				
Future Termination Benefits	158,685	0	0	158,685
Instructional Services	120,196	0	0	120,196
Operations	21,619	0	0	21,619
<b><i>Total Committed</i></b>	<b>300,500</b>	<b>0</b>	<b>0</b>	<b>300,500</b>
<b><i>Assigned to</i></b>				
Fiscal Year 2016 Appropriations	917,096	0	0	917,096
Public School Support	18,960	0	0	18,960
Purchases on Order:				
Instructional Services	5,659	0	0	5,659
<b><i>Total Assigned</i></b>	<b>941,715</b>	<b>0</b>	<b>0</b>	<b>941,715</b>
<b><i>Unassigned (Deficit)</i></b>	<b>2,710,266</b>	<b>0</b>	<b>(55,342)</b>	<b>2,654,924</b>
<b><i>Total Fund Balances</i></b>	<b>\$3,952,481</b>	<b>\$16,332,455</b>	<b>\$3,069,688</b>	<b>\$23,354,624</b>

**Note 8 – Receivables**

Receivables at June 30, 2015, 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.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
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A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
OSFC Funding	\$3,584,235
Title I Grant	98,821
Miscellaneous Federal Grants	93,143
Title VI-B Grant	21,435
Other	12,443
Title II-A Grant	5,894
Race to the Top Grant	<u>1,266</u>
Total	<u>\$3,817,237</u>

**Note 9 – 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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected in 2015 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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015, 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, 2015, was \$956,220 in the general fund, \$204,330 in the bond retirement debt service fund, \$15,250 in the school maintenance special revenue fund, and \$16,940 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2014, was \$938,236 in the general fund, \$242,789 in the bond retirement debt service fund, \$13,121 in the school maintenance special revenue fund, and \$11,794 in the permanent improvement capital projects fund.

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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 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$115,843,030	94.68%	\$115,602,100	94.57%
Public Utility Personal	6,508,940	5.32	6,634,640	5.43
<b>Total</b>	<b>\$122,351,970</b>	<b>100.00%</b>	<b>\$122,236,740</b>	<b>100.00%</b>
Full Tax Rate per \$1,000 of assessed valuation:				
Operations	\$42.50		\$42.50	
Bond Retirement	6.70		6.70	
Permanent Improvements	1.50		1.50	
<b>Total</b>	<b>\$50.70</b>		<b>\$50.70</b>	

**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 2015, 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	\$5,000,000
Aggregate	7,000,000
Property/Building and Contents	20,803,610
Fleet:	
Comprehensive	Actual Cash Value
Collision	Actual Cash Value

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

***Workers' Compensation***

For fiscal year 2015, 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

**Brown Local School District**  
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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.

## **Note 11 – 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, 2015, if applicable, cannot be determined at this time.

### ***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

### ***Litigation***

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

## **Note 12 – Other Employee Benefits**

### ***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Administrative and classified employees with greater than 240 day contracts 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 classified staff with less than 240 day contracts do not earn vacation time.

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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, \$6.25 per certified employee and \$4.38 per classified employee.

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 \$1,358.67/\$559.30 for medical, \$37.21/\$14.99 for vision, and \$194.66/\$78.91 for dental.

**Note 13 – Interfund Transactions**

***Balances***

Interfund Payable	Interfund Receivable
	General
<b><i>Other Governmental Funds:</i></b>	
Title II-D	\$79,812
Title I	29,573
Race to the Top	1,266
Total	\$110,651

The interfund receivable and payables between the general fund and the other governmental funds are due to the general fund covering deficit cash balances in these funds and moving unrestricted balances to support programs accounted for in other funds.

***Transfers***

There were transfers made during the fiscal year from the general fund to the race to the top and the 21<sup>st</sup> century grant special revenue funds in the amounts of \$82 and \$467, respectively. These transfers from the general fund were used to move unrestricted revenues collected in the general fund to finance programs accounted for in other funds in accordance with budgetary authorizations

There were also transfers made from the general fund and the classroom facilities capital projects fund to the building capital projects fund in the amounts of \$1,500 and \$599,293, respectively. These transfers were related to the School District’s locally funded portion of the construction of new school facilities.

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**Note 14 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
<b>Governmental Activities</b>				
<i><b>Non-Depreciable Assets:</b></i>				
Land	\$87,317	\$447,649	(\$87,317)	\$447,649
Construction in Progress	409,232	3,545,361	0	3,954,593
<i>Total Non-Depreciable Assets</i>	<u>496,549</u>	<u>3,993,010</u>	<u>(87,317)</u>	<u>4,402,242</u>
<i><b>Depreciable Assets:</b></i>				
Land Improvements	251,620	3,232	(76,620)	178,232
Buildings and Improvements	2,764,481	0	(2,757,342)	7,139
Furniture and Equipment	898,602	18,333	(125,565)	791,370
Vehicles	673,610	166,318	(75,032)	764,896
<i>Total Depreciable Assets</i>	<u>4,588,313</u>	<u>187,883</u>	<u>(3,034,559)</u>	<u>1,741,637</u>
<i><b>Less Accumulated Depreciation:</b></i>				
Land Improvements	(138,532)	(6,200)	68,598	(76,134)
Buildings and Improvements	(2,415,670)	(516)	2,412,300	(3,886)
Furniture and Equipment	(660,098)	(35,504)	41,680	(653,922)
Vehicles	(531,820)	(17,785)	30,013	(519,592)
<i>Total Accumulated Depreciation</i>	<u>(3,746,120)</u>	<u>(60,005) *</u>	<u>2,552,591</u>	<u>(1,253,534)</u>
<i>Depreciable Capital Assets, Net</i>	<u>842,193</u>	<u>127,878</u>	<u>(481,968)</u>	<u>488,103</u>
Governmental Activities Capital Assets, Net	<u>\$1,338,742</u>	<u>\$4,120,888</u>	<u>(\$569,285)</u>	<u>\$4,890,345</u>

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

Instruction:	
Regular	\$10,549
Support Services:	
Instructional Staff	1,899
Administration	16,403
Operation and Maintenance of Plant	3,169
Pupil Transportation	18,135
Food Service Operations	1,187
Extracurricular Activities	8,663
Total Depreciation Expense	<u>\$60,005</u>

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**Note 15 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/2014	Additions	Reductions	Principal Outstanding 6/30/2015	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2013A Classroom Facilities Improvement Bonds					
Current Issue Serial Bonds	\$1,840,000	\$0	\$0	\$1,840,000	\$10,000
Capital Appreciation Bonds	614	0	0	614	0
Accretion on Capital					
Appreciation Bonds	117	308	0	425	0
Term Bonds	6,330,000	0	0	6,330,000	0
Unamortized Discount	(108,006)	0	3,050	(104,956)	0
<b>Total School Improvement Bonds</b>	<b>8,062,725</b>	<b>308</b>	<b>3,050</b>	<b>8,066,083</b>	<b>10,000</b>
2013B Classroom Facilities Improvement Bonds					
Current Issue Serial Bonds	2,605,000	0	0	2,605,000	150,000
Capital Appreciation Bonds	86,875	0	0	86,875	13,378
Accretion on Capital					
Appreciation Bonds	18,804	51,278	0	70,082	11,098
Term Bonds	6,290,000	0	0	6,290,000	0
Unamortized Premium	728,671	0	(20,574)	708,097	0
<b>Total Refunding School Bonds</b>	<b>9,729,350</b>	<b>51,278</b>	<b>(20,574)</b>	<b>9,760,054</b>	<b>174,476</b>
<b>Total General Obligation Bonds</b>	<b>17,792,075</b>	<b>51,586</b>	<b>(17,524)</b>	<b>17,826,137</b>	<b>184,476</b>
<b>Net Pension Liability</b>					
SERS	1,513,430	0	(225,420)	1,288,010	0
STRS	7,084,420	0	(1,137,090)	5,947,330	0
<b>Total Net Pension Liability</b>	<b>8,597,850</b>	<b>0</b>	<b>(1,362,510)</b>	<b>7,235,340</b>	<b>0</b>
<b>Other Long-Term Obligations</b>					
Capital Leases	52,567	0	(13,507)	39,060	14,114
Compensated Absences	152,111	25,663	(28,954)	148,820	27,523
<b>Total Other Long-Term Obligations</b>	<b>204,678</b>	<b>25,663</b>	<b>(42,461)</b>	<b>187,880</b>	<b>41,637</b>
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$26,594,603</b>	<b>\$77,249</b>	<b>(\$1,422,495)</b>	<b>\$25,249,357</b>	<b>\$226,113</b>

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the general fund. The capital lease will be paid from the general fund. The general obligation bonds will be paid from the bond retirement fund.

On December 17, 2013, the School District issued \$8,170,614 in general obligation bonds for the construction of a new K-12 campus. The bonds included serial, term, and capital appreciation (deep discount) bonds in the amount of \$1,840,000, \$6,330,000, and \$614, respectively. The bonds were issued for a thirty-five year period with a final maturity at December 1, 2050. The capital appreciation bonds

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were originally sold at a discount of \$169,386, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2030. The final maturity amount of outstanding capital appreciation bonds at June 30, 2015, is \$170,000. The accretion recorded for 2015 was \$308, for a total outstanding bond liability of \$1,039. The bonds were sold at a discount of \$109,785 and at interest rates ranging from 1.5 to 5.125 percent. At June 30, 2015, \$5,993,888 of the bond proceeds were unspent.

*Mandatory Sinking Fund Redemption* The 2013A classroom facilities improvement term bonds maturing on or after January 15, 2039, 2043 and 2050, respectively, are subject to mandatory redemption, pursuant to mandatory sinking fund requirements at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date, on January 15 in each of the years and in the principal amounts set forth as follows:

Year	Issue		
	\$1,490,000	\$1,475,000	\$3,365,000
2035	\$270,000	\$0	\$0
2036	285,000	0	0
2037	295,000	0	0
2038	315,000	0	0
2040	0	345,000	0
2041	0	360,000	0
2042	0	375,000	0
2044	0	0	410,000
2045	0	0	435,000
2046	0	0	460,000
2047	0	0	480,000
2048	0	0	500,000
2049	0	0	525,000
	\$1,165,000	\$1,080,000	\$2,810,000
<i>Stated Maturity</i>	<i>1/15/2039</i>	<i>1/15/2043</i>	<i>1/15/2050</i>

The remaining principal amount of the term bonds (\$325,000, \$395,000 and \$555,000) will mature at the stated maturity.

On December 17, 2013, the School District issued \$8,981,875 in general obligation bonds for the construction of a new K-12 campus. The bonds included serial, term, and capital appreciation (deep discount) bonds in the amount of \$2,605,000, \$6,290,000, and \$86,875, respectively. The bonds were issued for a thirty-five year period with a final maturity at December 1, 2050. The capital appreciation bonds were originally sold at a discount of \$1,193,125, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016 through 2025. The final maturity amount of outstanding capital appreciation bonds at June 30, 2015, is \$1,280,000. The accretion recorded for 2015 was \$51,278, for a total outstanding bond liability of \$156,957. The bonds were sold at a premium of \$740,673 and at interest rates ranging from 1.5 to 5.0 percent. At June 30, 2015, none of the bond proceeds had been spent.

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**Mandatory Sinking Fund Redemption** The 2013B classroom facilities improvement term bonds maturing on or after January 15, 2039, 2043 and 2050, respectively, are subject to mandatory redemption, pursuant to mandatory sinking fund requirements at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date, on January 15 in each of the years and in the principal amounts set forth as follows:

Year	Issue		
	\$1,490,000	\$1,460,000	\$3,340,000
2035	\$270,000	\$0	\$0
2036	285,000	0	0
2037	300,000	0	0
2038	310,000	0	0
2040	0	340,000	0
2041	0	355,000	0
2042	0	375,000	0
2044	0	0	410,000
2045	0	0	430,000
2046	0	0	450,000
2047	0	0	475,000
2048	0	0	500,000
2049	0	0	525,000
	\$1,165,000	\$1,070,000	\$2,790,000
<i>Stated Maturity</i>	<i>1/15/2039</i>	<i>1/15/2043</i>	<i>1/15/2050</i>

The remaining principal amount of the term bonds (\$325,000, \$390,000 and \$550,000) will mature at the stated maturity.

The School District's overall debt margin was \$0 with an unvoted debt margin of \$122,237 at June 30, 2015. The following is a summary of the School District's future annual principal and interest requirements to retire the general obligation bonds:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$160,000	\$787,785	\$0	\$0	\$13,378	\$16,622
2017	160,000	785,385	0	0	10,582	24,418
2018	160,000	782,985	0	0	7,174	27,826
2019	160,000	780,586	0	0	5,558	34,442
2020	10,000	778,145	0	0	17,900	172,100
2021-2025	160,000	3,885,040	0	0	32,283	917,717
2026-2030	1,630,000	3,743,703	0	0	614	169,386
2031-2035	2,005,000	2,701,114	540,000	619,685	0	0
2036-2040	0	0	3,125,000	2,690,090	0	0
2041-2045	0	0	3,935,000	1,873,436	0	0
2046-2050	0	0	5,020,000	786,994	0	0
Total	\$4,445,000	\$14,244,743	\$12,620,000	\$5,970,205	\$87,489	\$1,362,511

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**Note 16 – Leases**

***Capital Lease***

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, 2015, amounted to \$32,516 leaving a book value of \$37,161. 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, 2015. The agreements provide for minimum, annual lease payments as follows:

Year Ending June 30,	
2016	\$15,552
2017	15,552
2018	10,368
Total minimum lease payments	41,472
Less: Amount representing interest	(2,412)
Present Value of Minimum Lease Payments	\$39,060

***Operating Lease***

In July, 2014, the School District sold the school building to Damascus Friends Church for \$550,000. On October 1, 2014, the School District entered into an operating lease with Damascus Friends Church to rent the building back during the construction of new school facilities for \$4,500 per month for the first 12 months. Thereafter, rent will be \$5,000 per month until the building is vacated by the School District. The School District pays all maintenance and utilities during the rental period.

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

***Jointly Governed Organization***

**Stark-Portage Area Computer Consortium (SPARCC)** is a jointly governed organization among 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC’s annual budget and ascertain that costs are divided equally among participating schools districts. During fiscal year 2015, the School District paid \$85,937 to SPARCC for services rendered.

***Public Entity Risk Pools***

**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 to cover the cost of administering the program.

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**Schools of Ohio Risk Sharing Authority (SORSA)** is a risk sharing insurance pool. The pool consists of 112 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

**Note 18 – Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and

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beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$81,111 for fiscal year 2015. Of this amount \$8,595 is reported as an intergovernmental payable.

***Plan Description – State Teachers Retirement System (STRS)***

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

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with 5 years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$341,233 for fiscal year 2015. Of this amount \$54,232 is reported as an intergovernmental payable.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,288,010	\$5,947,330	\$7,235,340
Proportion of the Net Pension Liability	0.025450%	0.02445100%	
Pension Expense	\$94,172	\$224,909	\$319,081

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$10,962	\$57,256	\$68,218
School District contributions subsequent to the measurement date	81,111	341,233	422,344
Total Deferred Outflows of Resources	<u>\$92,073</u>	<u>\$398,489</u>	<u>\$490,562</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$209,048</u>	<u>\$1,100,278</u>	<u>\$1,309,326</u>

\$422,344 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$49,494	\$260,756	\$310,250
2017	49,494	260,756	310,250
2018	49,494	260,756	310,250
2019	49,604	260,754	310,358
Total	<u>\$198,086</u>	<u>\$1,043,022</u>	<u>\$1,241,108</u>

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***Actuarial Assumptions – SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent, net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$1,837,608	\$1,288,010	\$825,751

**Actuarial Assumptions – STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set back two years through age 89 and are not set back for age 90 and above. Females younger than age 80 are set back four years, set back one year from age 80 through 89, and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$8,514,250	\$5,947,330	\$3,776,578

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***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, 2015, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 19 – Postemployment Benefits**

***School Employees Retirement System***

Health Care Plan Description – The School District contributes to the School Employees Retirement System (SERS) Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

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. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$13,212.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$18,258, \$14,052, and \$15,049, respectively. For fiscal year 2015, 89.4 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

***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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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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](http://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. 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 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013, were \$0, \$25,935, and \$28,795, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

**Note 20 – 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, 2014	\$0
Current Year Set-aside Requirement	118,261
Current Year Offsets	(68,879)
Qualifying Disbursements	(2,700,249)
Total	(\$2,650,867)
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 21 – 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	\$238,551
Classroom Facilities	20,521,976
Other Governmental Funds	1,123,343
Total	\$21,883,870

**Brown Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 22 - Contractual Commitments**

As of June 30, 2015, the School District had the following contractual commitments outstanding related to the School Building Project. A summary of the primary contractual commitments follows:

Contractor	Contract Amount	Amount Paid Through June 30, 2015	Remaining Contract Amount
FMD Architects	\$1,696,632	\$1,311,459	\$385,173
Osborn Engineering	70,675	16,962	53,713
Hammond Construction	21,295,831	1,798,425	19,497,406
Total	<u>\$23,063,138</u>	<u>\$3,126,846</u>	<u>\$19,936,292</u>

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.025450%	0.025450%
School District's Proportionate Share of the Net Pension Liability	\$1,288,010	\$1,513,430
School District's Covered-Employee Payroll	\$876,664	\$808,130
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	146.92%	187.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.02445100%	0.02445100%
School District's Proportionate Share of the Net Pension Liability	\$5,947,330	\$7,084,420
School District's Covered-Employee Payroll	\$2,453,671	\$2,879,538
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	242.38%	246.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**Brown Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$81,111	\$121,506	\$111,845	\$112,460
Contributions in Relation to the Contractually Required Contribution	<u>(81,111)</u>	<u>(121,506)</u>	<u>(111,845)</u>	<u>(112,460)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$615,407	\$876,664	\$808,130	\$836,134
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$100,681	\$99,710	\$66,280	\$64,838	\$61,899	\$56,324
(100,681)	(99,710)	(66,280)	(64,838)	(61,899)	(56,324)
\$0	\$0	\$0	\$0	\$0	\$0
\$800,965	\$736,408	\$673,575	\$660,262	\$579,579	\$532,363
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**Brown Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$341,233	\$318,977	\$374,340	\$393,729
Contributions in Relation to the Contractually Required Contribution	<u>(341,233)</u>	<u>(318,977)</u>	<u>(374,340)</u>	<u>(393,729)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,437,379	\$2,453,671	\$2,879,538	\$3,028,685
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$397,409	\$386,226	\$407,157	\$397,939	\$377,574	\$398,565
<u>(397,409)</u>	<u>(386,226)</u>	<u>(407,157)</u>	<u>(397,939)</u>	<u>(377,574)</u>	<u>(398,565)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,056,992	\$2,970,969	\$3,131,977	\$3,061,069	\$2,904,415	\$3,065,885
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**BROWN LOCAL SCHOOL DISTRICT  
CARROLL COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2015**

<b>Federal Grantor/Pass Through Grantor Program Title</b>	<b>Pass-Through Entity Number</b>	<b>Federal CFDA No.</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non Cash Assistance:				
National School Lunch Program	006-0000	10.555	\$ 22,478	\$ 22,478
Cash Assistance:				
National School Lunch Program	006-0000	10.555	132,991	132,991
National School Breakfast Program	006-0000	10.553	<u>53,657</u>	<u>53,657</u>
<b>Total U.S. Department of Agriculture/Child Nutrition Cluster</b>			<u>209,126</u>	<u>209,126</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	572-9014	84.010	27,270	16,916
	572-9015		<u>127,023</u>	<u>222,455</u>
Total Title I Grants to Local Educational Agencies			154,293	239,371
Special Education Cluster:				
Special Education Grants to States (IDEA, Part B)	516-9014	84.027	18,500	21,359
	516-9015		<u>144,517</u>	<u>141,542</u>
Total Special Education Cluster			163,017	162,901
Resident Educator Program - Race to the Top	506-9014	84.395	0	1,506
	506-9015		<u>58,443</u>	<u>65,735</u>
Total Resident Educator Program - Race to the Top			58,443	67,241
Improving Teacher Quality State Grants	590-9014	84.367	4,174	5,567
	590-9015		<u>37,016</u>	<u>36,485</u>
Total Improving Teacher Quality State Grants			41,190	42,052
<i>Passed through Northeast Ohio Medical University</i>				
Twenty-First Century Community Learning Centers	599-9014	84.287	95,072	55,269
	599-9015		<u>72,554</u>	<u>152,366</u>
Total Twenty-First Century Community Learners Centers			167,626	207,635
<b>Total U.S. Department of Education</b>			<u>584,569</u>	<u>719,200</u>
<b>Totals</b>			<u>\$ 793,695</u>	<u>\$ 928,326</u>

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

**BROWN LOCAL SCHOOL DISTRICT  
CARROLL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (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 the Brown Local School District, Carroll County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***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.

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

January 26, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the 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, 2015. The *Summary of Auditor's 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 the District's major federal program 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, 2015.

***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 over 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

January 26, 2016

**BROWN LOCAL SCHOOL DISTRICT  
CARROLL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**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):	Title I CFDA# 84.010
<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

**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  
MARCH 1, 2016**