



Dave Yost • Auditor of State

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown Local School District, Carroll County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown Local School District, Carroll County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 4, 2013

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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, 2012. 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 2012 are as follows:

- Net Assets of governmental activities decreased \$79,063 which represents a 1.35 percent decrease from fiscal year 2011.
- General revenues accounted for \$6,353,351 in revenue or 80.6 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$1,532,320 or 19.4 percent of total revenues of \$7,885,671.
- The District had \$7,964,734 in expenses related to governmental activities; \$1,532,320 of these expenses were offset by program specific charges for services and sales and grant and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,353,351 were not adequate to provide for these programs.
- The District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$6,860,933 in revenues and other financing sources and \$6,527,332 in expenditures. During fiscal year 2012, the General Fund balance increased \$333,601 from \$2,878,541 to \$3,212,142.
- The Permanent Improvement Capital Projects Fund had \$63,953 in revenues and \$111,709 in expenditures. During fiscal year 2012, the Permanent Improvement Capital Projects Fund balance decreased \$47,756 from \$489,644 to \$441,888.

Using these Basic Financial Statements

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

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

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2012?” The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major governmental funds begins on page 9. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the general fund and permanent improvement capital projects fund.

Governmental Funds

Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* 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 assets and in the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Proprietary Funds

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

Reporting the School District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-46 of this report.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. The table below provides a summary of the School District's net assets for 2012 and 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current and Other Assets	\$7,570,897	\$7,765,369
Capital Assets, Net	1,083,973	1,157,168
Total Assets	<u>8,654,870</u>	<u>8,922,537</u>
<u>Liabilities</u>		
Current Liabilities	2,498,957	2,696,858
Long-Term Liabilities	410,137	400,840
Total Liabilities	<u>2,909,094</u>	<u>3,097,698</u>
<u>Net Assets</u>		
Invested in Capital		
Assets, Net of Related Debt	1,060,825	1,119,367
Restricted	674,814	918,452
Unrestricted	4,010,137	3,787,020
Total Net Assets	<u><u>\$5,745,776</u></u>	<u><u>\$5,824,839</u></u>

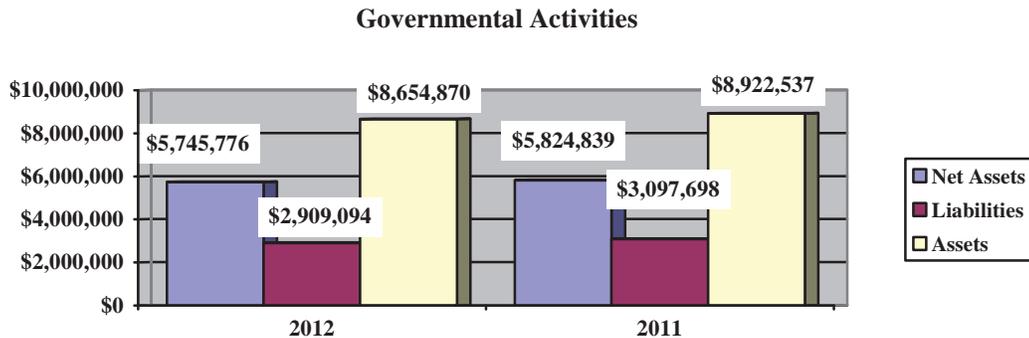
Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the School District's assets exceeded liabilities by \$5,745,776. Of this total, \$4,010,137 is unrestricted in use.

At year-end, capital assets represented 12.52 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets at June 30, 2012, were \$1,083,973. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the School District's net assets, \$674,814, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,010,137 may be used to meet the School District's ongoing obligations to the students and creditors.

The graph below presents the School District's governmental activities net assets, liabilities and assets for fiscal years 2012 and 2011:



The table below shows the change in net assets for fiscal year 2012 and 2011.

	Change in Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Revenues</u>		
Program Revenues:		
Charges for Services and Sales	\$565,846	\$525,998
Operating Grants and Contributions	966,474	1,316,864
Capital Grants and Contributions	-	9,344
General Revenues:		
Property Taxes	3,430,586	4,238,737
Grants and Entitlements	2,880,999	2,986,955
Investment Earnings	36,369	53,815
Other	5,397	15,022
Total Revenues	\$7,885,671	\$9,146,735

(continued)

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

	Change in Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
	<u>Expenses</u>	
Program Expenses:		
Instruction:		
Regular	\$3,903,167	\$4,047,890
Special	577,057	486,701
Vocational	68,004	58,360
Support services:		
Pupils	272,630	255,519
Instructional Staff	393,488	360,406
Board of Education	197,541	189,810
Administration	630,702	645,340
Fiscal	169,113	179,129
Business	0	5,163
Operation and Maintenance of Plant	613,384	525,377
Pupil Transportation	379,340	384,382
Central	29,496	6,866
Food Service Operations	396,263	349,367
Extracurricular Activities	332,929	303,760
Interest and Fiscal Charges	1,620	2,340
Total Expenses	<u>7,964,734</u>	<u>7,800,410</u>
Change in Net Assets	(79,063)	1,346,325
Net Assets at Beginning of Year	<u>5,824,839</u>	<u>4,478,514</u>
Net Assets at End of Year	<u><u>\$5,745,776</u></u>	<u><u>\$5,824,839</u></u>

Governmental Activities

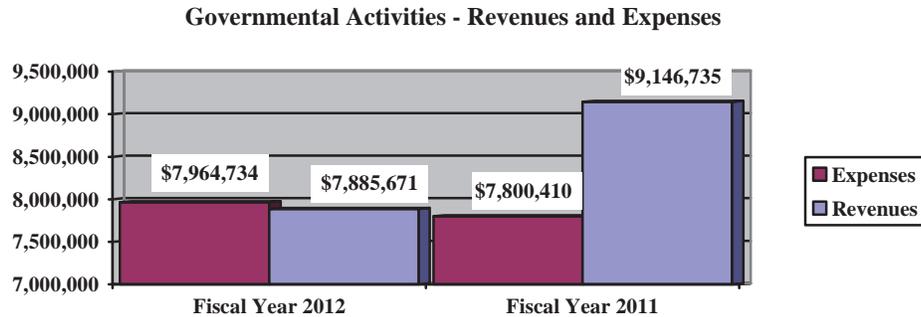
Net assets of the School District's governmental activities decreased \$79,063. Total governmental expenses of \$7,964,734 were offset by program revenues of \$1,532,320 and general revenues of \$6,353,351. Program revenues supported 19.24 percent of the total governmental expenses.

The primary sources of general revenues for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 80.03 percent of total governmental revenue. Operating grants and contributions program revenue represents 12.26 percent of total governmental revenue. The decrease in tax revenue is caused by the application of GAAP including the requirement to record tax revenue for amounts collected by the County Auditor at June 30 and available to the School District as an advance.

The largest expense of the School District is for instructional programs. Instruction expenses totaled \$4,548,228 or 57.10 percent of total governmental expenses for fiscal year 2012.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The graph below presents the School District's governmental activities revenue and expenses for fiscal year 2012 and 2011.



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

	Governmental Activities			
	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program Expenses				
Instruction:				
Regular	\$3,903,167	\$3,326,344	\$4,047,890	\$3,070,097
Special	577,057	198,872	486,701	393,714
Vocational	68,004	57,052	58,360	47,132
Support Services:				
Pupils	272,630	272,630	255,519	76,454
Instructional Staff	393,488	350,727	360,406	298,491
Board of Education	197,541	197,541	189,810	173,992
Administration	630,702	630,702	645,340	635,564
Fiscal	169,113	169,113	179,129	179,129
Business	0	0	5,163	5,163
Operation and Maintenance of Plant	613,384	613,384	525,377	504,803
Pupil Transportation	379,340	356,300	384,382	384,382
Central	29,496	29,496	6,866	6,866
Food Service Operations	396,263	40,972	349,367	(6,647)
Extracurricular Activities	332,929	187,661	303,760	176,724
Interest and Fiscal Charges	1,620	1,620	2,340	2,340
Total Expenses	<u><u>\$7,964,734</u></u>	<u><u>\$6,432,414</u></u>	<u><u>\$7,800,410</u></u>	<u><u>\$5,948,204</u></u>

The dependence upon tax and other general revenues for governmental activities is apparent, 78.76 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.76 percent. The School District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for School District's students.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The School District's Funds

The School District's governmental funds reported a combined fund balance of \$3,836,426 which is higher than last year's total of \$3,608,054. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase/ (Decrease)	Percentage Change
General	\$3,212,142	\$2,878,541	\$333,601	11.59 %
Permanent Improvement				
Capital Projects Fund	441,888	489,644	(47,756)	(9.75) %
Other Governmental Funds	182,396	239,869	(57,473)	(23.96) %
Total	\$3,836,426	\$3,608,054	\$228,372	6.33 %

General Fund

The School District's general fund balance increased \$333,601. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2012 Amount	2011 Amount	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Property Taxes	\$3,367,592	\$4,164,129	(\$796,537)	(19.13) %
Intergovernmental	3,105,956	3,115,695	(\$9,739)	(0.31) %
Interest	13,211	27,171	(\$13,960)	(51.38) %
Tuition	325,183	264,704	\$60,479	22.85 %
Other Revenues	48,991	54,283	(\$5,292)	(9.75) %
Total Revenues	\$6,860,933	\$7,625,982	(\$765,049)	(10.03) %
<u>Expenditures</u>				
Instruction	\$3,969,953	\$4,175,580	(\$205,627)	(4.92) %
Support Services	2,335,405	2,324,405	\$11,000	0.47 %
Extracurricular Activities	205,701	190,070	\$15,631	8.22 %
Debt Service	16,273	19,827	(\$3,554)	(17.93) %
Total Expenditures	\$6,527,332	\$6,709,882	(\$182,550)	(2.72) %

Tax revenue decreased from the prior fiscal year, due primarily to the timing of the amount of taxes available as of June 30, 2012. Interest decreased, which can be attributed to lower interest rates and lower deposits in interest-bearing accounts. The increase in tuition revenue is primarily due to the billing and collection of excess cost for special education students enrolled into our School District from surrounding districts. The decrease in instruction is due to the staff retirement.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Permanent Improvement Capital Projects Fund

The permanent improvement capital projects fund had \$63,953 in revenues and \$111,709 in expenditures. During fiscal year 2012, the permanent improvement fund's fund balance decreased \$47,756.

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 2012, the School District amended its general fund budget several times. For the general fund, original budgeted revenues were \$6,607,694 and final budgeted revenues were \$6,725,833. Actual revenues for fiscal year 2012 totaled \$6,766,725. This represents a \$40,892 increase from final budgeted revenues.

General fund original appropriations of \$6,636,551 were increased to \$6,688,553 in the final appropriations. The actual budget basis expenditures for fiscal year 2012 totaled \$6,565,049, which was \$123,504 less than the final budget appropriations due to reduced spending in several areas such as instructional staff and fiscal services.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$1,083,973 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2012 balances compared to 2011:

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

	Governmental Activities	
	2012	2011
Land	\$87,317	\$87,317
Land Improvements	125,488	131,688
Building and Improvements	450,131	486,309
Furniture and Equipment	202,923	205,390
Vehicles	218,114	246,464
Total	\$1,083,973	\$1,157,168

The overall decrease in capital assets of \$73,195 is due to primarily to annual depreciation. This depreciation was partially offset by additions of capital, including a boiler and other smaller items.

See Note 9 to the basic financial statements for additional information on the School District's capital assets.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Debt Administration

At June 30, 2012, the School District had a capital lease obligation of \$23,148 outstanding. The lease is comprised of one copier lease. \$15,302 of the capital lease obligation is due within one year, while \$7,846 is due in more than one year.

Outstanding Debt at June 30

	Governmental Activities 2012	Governmental Activities 2011
Capital Leases	\$23,148	\$37,801

At June 30, 2012, the School District's overall legal debt margin was \$10,974,780 and the unvoted debt margin was \$121,942.

See Note 13 to the basic financial statements for additional information on the School District's debt administration.

Current Financial Related Activities

The School District relies on property tax revenue coupled with State revenue to maintain the education of our student body. With the changes in the funding formula expected in 2013, Brown Local School District is not anticipating any growth in State revenue. Also, Carroll County will be assessing property values and a decrease in the assessed values is expected. Therefore, the School District is actively monitoring expenditures in order to ensure that our operating expenses are within the forecasted levels.

Contacting the School District's Financial Management

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

Basic
Financial
Statements

Brown Local School District

Statement of Net Assets

June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,399,819
Cash and Cash Equivalents with Fiscal Agents	1,183,258
Intergovernmental Receivable	147,528
Materials and Supplies Inventory	11,581
Property Taxes Receivable	2,828,711
Nondepreciable Capital Assets	87,317
Depreciable Capital Assets, Net	996,656
<i>Total Assets</i>	<u>8,654,870</u>
Liabilities	
Accounts Payable	9,515
Accrued Wages and Benefits	425,183
Intergovernmental Payable	197,782
Deferred Revenue	1,769,354
Claims Payable	97,123
Long-Term Liabilities:	
Due Within One Year	148,786
Due In More Than One Year	261,351
<i>Total Liabilities</i>	<u>2,909,094</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,060,825
Restricted for:	
Capital Projects	443,734
Food Service	116,540
Regular Instruction	12,750
District Managed Student Activities	52,265
Other Purposes	49,525
Unrestricted	4,010,137
<i>Total Net Assets</i>	<u><u>\$5,745,776</u></u>

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Change in Net Assets
				Total
Instruction:				
Regular	\$3,903,167	\$325,183	\$251,640	(\$3,326,344)
Special	577,057	0	378,185	(198,872)
Vocational	68,004	0	10,952	(57,052)
Support Services:				
Pupils	272,630	0	0	(272,630)
Instructional Staff	393,488	0	42,761	(350,727)
Board of Education	197,541	0	0	(197,541)
Administration	630,702	0	0	(630,702)
Fiscal	169,113	0	0	(169,113)
Operation and Maintenance of Plant	613,384	0	0	(613,384)
Pupil Transportation	379,340	0	23,040	(356,300)
Central	29,496	0	0	(29,496)
Food Service Operations	396,263	95,395	259,896	(40,972)
Extracurricular Activities	332,929	145,268	0	(187,661)
Interest and Fiscal Charges	1,620	0	0	(1,620)
Totals	\$7,964,734	\$565,846	\$966,474	(6,432,414)
General Revenues				
Property Taxes Levied for:				
				3,376,372
				54,214
Grants and Entitlements not				
				2,880,999
				36,369
				5,397
				<u>6,353,351</u>
				Change in Net Assets (79,063)
				<u>Net Assets Beginning of Year 5,824,839</u>
				<u>Net Assets End of Year \$5,745,776</u>

See accompanying notes to the basic financial statements

Brown Local School District

Balance Sheet

Governmental Funds

June 30, 2012

	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,816,577	\$425,788	\$157,454	\$3,399,819
Intergovernmental Receivable	0	0	147,528	147,528
Materials and Supplies Inventory	0	0	11,581	11,581
Property Taxes Receivable	2,769,404	59,307	0	2,828,711
<i>Total Assets</i>	<u>\$5,585,981</u>	<u>\$485,095</u>	<u>\$316,563</u>	<u>\$6,387,639</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$5,958	\$0	\$3,557	\$9,515
Accrued Wages and Benefits	348,185	0	76,998	425,183
Intergovernmental Payable	185,242	0	12,540	197,782
Deferred Revenue	1,834,454	43,207	41,072	1,918,733
<i>Total Liabilities</i>	<u>2,373,839</u>	<u>43,207</u>	<u>134,167</u>	<u>2,551,213</u>
Fund Balances				
Nonspendable	0	0	11,581	11,581
Restricted	0	441,888	178,427	620,315
Committed	144,902	0	0	144,902
Assigned	15,507	0	0	15,507
Unassigned (Deficit)	3,051,733	0	(7,612)	3,044,121
<i>Total Fund Balances</i>	<u>3,212,142</u>	<u>441,888</u>	<u>182,396</u>	<u>3,836,426</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,585,981</u>	<u>\$485,095</u>	<u>\$316,563</u>	<u>\$6,387,639</u>

See accompanying notes to the basic financial statements

Brown Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances	\$3,836,426
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

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

Capital Assets, not being depreciated	87,317
Capital Assets, being depreciated	4,488,742
Accumulated Depreciation	<u>(3,492,086)</u>

Total	1,083,973
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Delinquent Property Taxes	108,307
Intergovernmental	<u>41,072</u>

Total	149,379
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

1,086,135

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

Capital Lease Payable	(23,148)
Compensated Absences	<u>(386,989)</u>

Total	<u>(410,137)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$5,745,776</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, 2012

	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,367,592	\$54,005	\$0	\$3,421,597
Intergovernmental	3,105,956	9,948	837,728	3,953,632
Interest	13,211	0	49	13,260
Tuition and Fees	325,183	0	0	325,183
Extracurricular Activities	38,913	0	101,007	139,920
Rentals	5,348	0	0	5,348
Charges for Services	0	0	95,395	95,395
Contributions and Donations	0	0	10,069	10,069
Miscellaneous	4,730	0	667	5,397
<i>Total Revenues</i>	<u>6,860,933</u>	<u>63,953</u>	<u>1,044,915</u>	<u>7,969,801</u>
Expenditures				
Current:				
Instruction:				
Regular	3,425,304	1,292	386,736	3,813,332
Special	476,645	0	93,666	570,311
Vocational	68,004	0	0	68,004
Support Services:				
Pupils	249,502	0	5,422	254,924
Instructional Staff	266,177	37,867	83,623	387,667
Board of Education	195,499	2,042	0	197,541
Administration	601,435	0	3,176	604,611
Fiscal	166,284	0	0	166,284
Operation and Maintenance of Plant	510,126	67,508	0	577,634
Pupil Transportation	316,886	0	23,040	339,926
Central	29,496	0	0	29,496
Food Service Operations	0	0	388,196	388,196
Extracurricular Activities	205,701	3,000	118,529	327,230
Debt Service:				
Principal Retirement	14,653	0	0	14,653
Interest and Fiscal Charges	1,620	0	0	1,620
<i>Total Expenditures</i>	<u>6,527,332</u>	<u>111,709</u>	<u>1,102,388</u>	<u>7,741,429</u>
<i>Net Change in Fund Balances</i>	333,601	(47,756)	(57,473)	228,372
<i>Fund Balances Beginning of Year</i>	<u>2,878,541</u>	<u>489,644</u>	<u>239,869</u>	<u>3,608,054</u>
<i>Fund Balances End of Year</i>	<u>\$3,212,142</u>	<u>\$441,888</u>	<u>\$182,396</u>	<u>\$3,836,426</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, 2012*

Net Change in Fund Balances - Total Governmental Funds \$228,372

*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	61,652	
Current Year Depreciation	<u>(134,847)</u>	
Total		(73,195)

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

Delinquent Property Taxes	8,989	
Intergovernmental	<u>(116,277)</u>	
Total		(107,288)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 14,653

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. (23,950)

The internal service fund used by management to charge the cost of health insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for the governmental funds is reported for the year. (117,655)

Change in Net Assets of Governmental Activities (\$79,063)

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget		
Revenues				
Property Taxes	\$3,368,076	\$3,368,076	\$3,307,958	(\$60,118)
Intergovernmental	2,946,118	3,064,257	3,105,956	41,699
Interest	25,000	25,000	16,718	(8,282)
Tuition and Fees	252,500	252,500	325,183	72,683
Rentals	5,000	5,000	5,348	348
Miscellaneous	11,000	11,000	5,562	(5,438)
<i>Total Revenues</i>	6,607,694	6,725,833	6,766,725	40,892
Expenditures				
Current:				
Instruction:				
Regular	3,436,281	3,393,426	3,416,978	(23,552)
Special	459,279	480,597	484,333	(3,736)
Vocational	58,336	58,608	67,827	(9,219)
Support Services:				
Pupils	236,298	238,365	231,539	6,826
Instructional Staff	336,141	350,032	290,676	59,356
Board of Education	206,744	217,435	195,861	21,574
Administration	626,017	629,841	641,003	(11,162)
Fiscal	186,096	209,546	178,366	31,180
Operation and Maintenance of Plant	534,655	532,002	515,385	16,617
Pupil Transportation	339,211	341,882	326,176	15,706
Central	12,612	32,196	29,496	2,700
Extracurricular Activities	204,881	204,623	187,409	17,214
<i>Total Expenditures</i>	6,636,551	6,688,553	6,565,049	123,504
<i>Excess of Revenues Over (Under) Expenditures</i>	(28,857)	37,280	201,676	164,396
Other Financing Uses				
Transfers Out	(100,000)	(75,000)	(75,000)	0
<i>Net Change in Fund Balance</i>	(128,857)	(37,720)	126,676	164,396
<i>Fund Balance Beginning of Year</i>	2,485,896	2,485,896	2,485,896	0
Prior Year Encumbrances Appropriated	32,739	32,739	32,739	0
<i>Fund Balance End of Year</i>	\$2,389,778	\$2,480,915	\$2,645,311	\$164,396

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2012

	<u>Insurance</u>
Assets	
Cash and Cash Equivalents with Fiscal Agents	\$1,183,258
Liabilities	
Claims Payable	<u>97,123</u>
Net Assets	
Unrestricted	<u><u>\$1,086,135</u></u>

See accompanying notes to the basic financial statements

Brown Local School District
*Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2012*

	Insurance
Operating Revenues	
Charges for Services	\$845,606
Operating Expenses	
Purchased Services	321,548
Claims	664,871
<i>Total Operating Expenses</i>	986,419
<i>Operating Loss</i>	(140,813)
Non-Operating Revenues	
Interest	23,158
<i>Change in Net Assets</i>	(117,655)
<i>Net Assets Beginning of Year</i>	1,203,790
<i>Net Assets End of Year</i>	\$1,086,135

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2012

	Insurance
Increase/(Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Internal Services Provided	\$845,606
Cash Payments for Services	(321,548)
Cash Payments for Claims	(663,526)
<i>Net Cash Used for Operating Activities</i>	(139,468)
Cash Flows from Investing Activities	
Interest on Investments	23,158
<i>Net Decrease in Cash and Cash Equivalents</i>	(116,310)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,299,568
<i>Cash and Cash Equivalents End of Year</i>	\$1,183,258
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$140,813)
Adjustments:	
Increase in Claims Payable	1,345
<i>Net Cash Used for Operating Activities</i>	(\$139,468)
 See accompanying notes to the basic financial statements	

Brown Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private-Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,511	\$44,455
Liabilities		
Due to Students	0	\$44,455
Net Assets		
Held in Trust for Scholarships	\$9,511	

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Fund
June 30, 2012

	<u>Scholarship</u>
Additions	
Interest	\$4
Gifts and Contributions	<u>1,000</u>
<i>Total Additions</i>	1,004
Deductions	
Scholarships Awarded	<u>1,000</u>
<i>Change in Net Assets</i>	4
<i>Net Assets at Beginning of Year</i>	<u>9,507</u>
<i>Net Assets at End of Year</i>	<u><u>\$9,511</u></u>

See accompanying notes to the basic financial statements

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 35 non-certified employees and 56 certified employees who provide services to 727 students and other community members. The School District operates one school building for students K-12 and one support building.

Reporting Entity

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

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

The School District participates in the Stark-Portage Area Computer Consortium, a jointly governed organization, and the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, the Stark County Schools Council of Government and the Schools of Ohio Risk Sharing Authority, all public entity risk pools. These organizations are presented in Note 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

General Fund The general fund is the operating fund of the School District and is used to account for 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 and 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, 2012

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

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

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

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

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

Measurement Focus

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

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

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 5) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Cash and Cash Equivalents

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

During fiscal year 2012, investments were limited to STAROhio, Federal Home Loan Bank Bonds, a repurchase agreement, and nonnegotiable certificates of deposit. Nonparticipating investment contract such as nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$13,211 which includes \$10,985 assigned from other School District funds.

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

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

Inventory

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money required by State statute to be set aside for the purchase of textbooks. See Note 17 for additional information regarding set asides.

Capital Assets

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, 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, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accrued Liabilities and Long-Term Obligations

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 amounts represent intended uses established by the School District Board of Education.

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Operating Revenues and Expenses

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

Extraordinary and Special Items

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

Estimates

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

Budgetary Data

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

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 3 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$333,601
Net Adjustment for Revenue Accruals	(51,788)
Beginning Fair Value Adjustment for Investments	(3,627)
Ending Fair Value Adjustment for Investments	120
Net Adjustment for Expenditure Accruals	(113,845)
Perspective Differences:	
Public School Support	7,031
Termination Benefits	(3,152)
Adjustment for Encumbrances	<u>(41,664)</u>
Budget Basis	<u><u>\$126,676</u></u>

Note 4 - Deposits and Investments

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

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

Brown Local School District
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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 or by savings or deposit accounts including passbook accounts.

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

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

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

At June 30, 2012, the School District's self-insurance internal service fund had a cash balance of \$1,183,258 with OME-RESA, a claims servicing pool (See Note 8). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement No. 40. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, Ohio 43952.

Brown Local School District
Notes to the Basic Financial Statements
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Investments Investments are reported at fair value. As of June 30, 2012, the School District had the following investments.

Investment Type	Fair Value	Maturity
Federal Home Loan Bank Bonds	\$250,120	March 5, 2015
Repurchase Agreement	1,823,625	n/a
STAR Ohio	1,008,066	Average 52.5 days
Total Investments	<u>\$3,081,811</u>	

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

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

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, 2012:

	Percentage of Investments
Federal Home Loan Bank Bonds	8.12%
Repurchase Agreement	59.17

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Brown Local School District
Notes to the Basic Financial Statements
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Tangible personal property tax revenue received during calendar 2011 (other than public utility property) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012, was \$934,950 in the general fund and \$16,100 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$875,316 in the general fund and \$18,864 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$115,902,900	91.99%	\$117,346,630	96.23%
Public Utility Personal	4,246,250	3.37	4,588,150	3.76
General Business Personal	5,842,290	4.64	7,220	0.01
Total	\$125,991,440	100.00%	\$121,942,000	100.00%
Full Tax Rate per \$1,000 of assessed valuation:				
Operations	\$41.93		\$41.93	
Permanent Improvements	1.00		1.00	
Total	\$42.93		\$42.93	

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 6 - Contingencies

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

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

Note 7 - Receivables

Receivables at June 30, 2012, consisted of taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Race to the Top Grant	\$41,072
Title I Grant	32,912
Food Service Subsidy	26,257
Title VI-B Grant	22,068
Education Jobs Grant	18,521
Title II-A Grant	<u>6,698</u>
Total	<u><u>\$147,528</u></u>

Note 8 - 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 2012, 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:

Brown Local School District
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For the Fiscal Year Ended June 30, 2012

Type of Coverage	Coverage Amount
General Liability:	
Each Occurrence	\$6,000,000
Aggregate	4,000,000
Property/Building and Contents	19,502,899
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 2012, the School District participated in the Stark County Schools Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "group savings fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

Self-Insurance

The School District offers medical/surgical, vision and dental claims coverage to all employees through a self-insurance internal service fund. Self-Funded Plans, Incorporated serves as the third party administrator. The claims liability of \$97,123 reported in the internal service fund at June 30, 2012, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2011 and 2012 were:

	Beginning of Year	Year Claims	Claim Payments	End of Year
2011	\$83,009	\$861,384	\$848,615	\$95,778
2012	95,778	664,871	663,526	97,123

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012
Governmental Activities				
<i>Non-Depreciable Assets</i>				
Land	\$87,317	\$0	\$0	\$87,317
<i>Depreciable Assets</i>				
Land Improvements	251,620	0	0	251,620
Building and Improvements	2,713,210	26,727	0	2,739,937
Furniture and Equipment	799,300	24,275	0	823,575
Vehicles	662,960	10,650	0	673,610
<i>Total Depreciable Assets</i>	<u>4,427,090</u>	<u>61,652</u>	<u>0</u>	<u>4,488,742</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(119,932)	(6,200)	0	(126,132)
Building and Improvements	(2,226,901)	(62,905)	0	(2,289,806)
Furniture and Equipment	(593,910)	(26,742)	0	(620,652)
Vehicles	(416,496)	(39,000)	0	(455,496)
<i>Total Accumulated Depreciation</i>	<u>(3,357,239)</u>	<u>(134,847) *</u>	<u>0</u>	<u>(3,492,086)</u>
<i>Depreciable Capital Assets, Net</i>	<u>1,069,851</u>	<u>(73,195)</u>	<u>0</u>	<u>996,656</u>
Governmental Activities Capital Assets, Net	<u>\$1,157,168</u>	<u>(\$73,195)</u>	<u>\$0</u>	<u>\$1,083,973</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$10,022
Support Services:	
Instructional Staff	1,227
Administration	3,754
Operation and Maintenance of Plant	69,484
Pupil Transportation	39,350
Food Service Operations	2,311
Extracurricular Activities	8,699
Total Depreciation Expense	<u>\$134,847</u>

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 10 – Defined Benefits Pension Plans

School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution 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 advices of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contributions rate is allocated to the Health Care and Medicare B funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$106,189, \$94,594, and \$94,113, respectively. For 2012, 51.20 percent has been contributed, with the balance reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

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

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

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent of members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$393,729 and \$11,174 for the fiscal year ended June 30, 2012, \$397,409 and \$9,216 for the fiscal year ended June 30, 2011, and \$386,226 and \$4,451 for the fiscal year ended June 30, 2010. For fiscal year 2012, 80.37 percent has been contributed for the DB plan and 82.58 percent has been contributed for the Combined Plan, with the balance reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$13,719 made by the School District and \$9,799 made by the plan members. In addition, member contributions of \$7,981 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 11 – Postemployment Benefits

School Employee Retirement System

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

Brown Local School District
Notes to the Basic Financial Statements
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Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$16,218 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$20,817, \$11,454, and \$18,211, respectively. For 2012, 51.20 percent has been contributed, with the balance reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$6,271, \$6,087, and \$5,597, respectively. For 2012, 51.20 percent has been contributed, with the balance reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$30,287, \$30,570, and \$29,710, respectively. For 2012, 80.37 percent has been contributed, with the balance reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 12 - Other Employee Benefits

Compensated Absences

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

Brown Local School District
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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, \$8.50 per certified employee and \$5.95 per classified employee.

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Outstanding 6/30/2011	Additions	Reductions	Outstanding 6/30/2012	Due in One Year
Governmental Activities					
Capital Leases	\$37,801	\$0	(\$14,653)	\$23,148	\$15,302
Compensated Absences	363,039	95,798	(71,848)	386,989	133,484
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$400,840</u>	<u>\$95,798</u>	<u>(\$86,501)</u>	<u>\$410,137</u>	<u>\$148,786</u>

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

The School District's overall debt margin was \$10,974,130 with an unvoted debt margin of \$121,935 at June 30, 2012.

Note 14 - Capital Leases

The School District has one capital lease for copier machines. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases." The leased equipment is reported as a group in governmental activities at a cost of \$71,043; accumulated depreciation through June 30, 2012 amounted to \$35,523 leaving a book value of \$35,520. 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, 2012. The agreements provide for minimum, annual lease payments as follows:

	Year Ending June 30,
	2013
	\$16,139
	2014
	<u>7,962</u>
Total minimum lease payments	24,101
Less: Amount representing interest	<u>(953)</u>
Present Value of Minimum Lease Payments	<u><u>\$23,148</u></u>

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 15 - 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 2012, the School District paid \$45,808 to SPARCC for services rendered.

Public Entity Risk Pools

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool is comprised of approximately 130 members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental, vision, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. The School District's deductible limit is \$35,000. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Self-Funded Plans, Incorporated.

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The Schools of Ohio Risk Sharing Authority (SORSA) is a risk sharing insurance pool. The pool consists of ninety-one 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 16 – Fund Balances

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

Fund Balances	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total
<i>Nonspendable</i>				
Inventory	\$0	\$0	\$11,581	\$11,581
<i>Restricted for</i>				
Food Service Operations	0	0	104,959	104,959
Athletics	0	0	52,265	52,265
Other Purposes	0	0	21,203	21,203
Capital Improvements	0	441,888	0	441,888
<i>Total Restricted</i>	0	441,888	178,427	620,315
<i>Committed to</i>				
Future Termination Benefits	117,222	0	0	117,222
Other Purposes	27,680	0	0	27,680
<i>Total Committed</i>	144,902	0	0	144,902
<i>Assigned to</i>				
Other Purposes	15,507	0	0	15,507
<i>Unassigned (Deficit)</i>	3,051,733	0	(7,612)	3,044,121
<i>Total Fund Balances</i>	\$3,212,142	\$441,888	\$182,396	\$3,836,426

Note 17 - Set-Asides

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

	<u>Capital Improvements</u>
Set-aside Reserve Balances as of June 30, 2011	\$0
Current Year Set-aside Requirement	118,159
Current Year Offsets	(56,769)
Qualifying Disbursements	<u>(73,349)</u>
Total	<u>(\$11,959)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

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.

BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
<i>Cash Assistance:</i>						
National School Breakfast Program	N/A	10.553	\$77,860		\$77,860	
National School Lunch Program	N/A	10.555	164,109		164,109	
<i>Non-Cash Assistance (Food Distribution)</i>						
National School Lunch Program	N/A	10.555		\$20,041		\$20,041
Total Child Nutrition Cluster			241,969	20,041	241,969	20,041
Total U.S. Department of Agriculture			241,969	20,041	241,969	20,041
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States	2012	84.027	147,563		146,839	
	2011		7,744		6,987	
ARRA - Special Education Grants to States	2012	84.391	17,543		17,681	
Total Special Education Cluster			172,849		171,507	
Title I, Grants to Local Educational Agencies	2012	84.010	165,484		165,002	
	2011		31,279		38,587	
ARRA - Title I	2012	84.389	6,227		8,744	
Total Title I Grants			202,990		212,333	
Education Jobs	2012	84.410	104,807		104,807	
Education Technology State Grants	2012	84.318	1,401		369	
Improving Teacher Quality State Grants	2012	84.367	37,305		37,305	
	2011		7,463		7,463	
Total Improving Teacher Quality State Grants			44,768		44,768	
ARRA - State Fiscal Stabilization Funds (SFSF)	2012	84.394	0		30,804	
	2011		0		0	
Total State Fiscal Stabilization Funds			0		30,804	
Race to the Top	2012	84.395	10,479		8,949	
	2011		6,540		0	
Total Race to the Top			17,019		8,949	
Total U.S. Department of Education			543,833		573,537	
U.S. ENVIRONMENTAL PROTECTION AGENCY						
<i>(Direct)</i>						
National Clean Diesel Emissions Reduction Program	2012	66.039	23,040		23,040	
Total U.S. Environmental Protection Agency			23,040		23,040	
Totals			\$808,842	\$20,041	\$838,546	\$20,041

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

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair 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 ACCOUNTANTS' 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown Local School District, Carroll County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 4, 2013.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

February 4, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Brown Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Brown Local School District's major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Brown Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of 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 compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 4, 2013.

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 4, 2013

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster– CFDA #10.553 and #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	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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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on March 19, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

February 4, 2013

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BROWN LOCAL SCHOOL DISTRICT

CARROLL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2013**