

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

DEREK NOTTINGHAM, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Brown Local School District
401 W. Main Street
Malvern, Ohio 44644

We have reviewed the *Independent Auditor's Report* of the Brown Local School District, Carroll County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Brown Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 28, 2009

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**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown Local School District, Carroll County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Brown Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brown Local School 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Brown Local School District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal 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 October 2, 2009, on our consideration of Brown Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
Brown Local School District
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Brown Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 2, 2009

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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, 2009. 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 2009 are as follows:

- In total, net assets of governmental activities increased \$641,933, which represents a 16.04 percent increase from 2008.
- General revenues accounted for \$6,686,738 in revenue or 81.98 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,469,676 or 18.02 percent of total revenues of \$8,156,414.
- The School District had \$7,514,481 in expenses related to governmental activities; \$1,469,676 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,686,738 were adequate to provide for these programs.
- The School District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$7,166,933 in revenues and other financing sources and \$6,679,338 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$487,595 from \$1,593,470 to \$2,081,065.
- The permanent improvement fund had \$55,062 in revenues and \$1,957 in expenditures. During fiscal year 2009, the permanent improvement fund's fund balance increased \$53,105 from \$470,889 to \$523,994.

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, 2009

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 2009?” 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* than 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, 2009

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 its 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 25-45 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 2008 and 2009.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2009
	<u>2008</u>	<u>2009</u>
<u>Assets</u>		
Current and Other Assets	\$5,425,632	\$6,618,915
Capital Assets, Net	1,097,139	1,088,214
Total Assets	<u>6,522,771</u>	<u>7,707,129</u>
<u>Liabilities</u>		
Current Liabilities	2,100,793	2,627,834
Long-Term Liabilities	420,752	436,136
Total Liabilities	<u>2,521,545</u>	<u>3,063,970</u>
<u>Net Assets</u>		
Invested in Capital		
Assets, Net of Related Debt	1,088,067	1,017,101
Restricted	549,332	963,310
Unrestricted	2,363,827	2,662,748
Total Net Assets	<u>\$4,001,226</u>	<u>\$4,643,159</u>

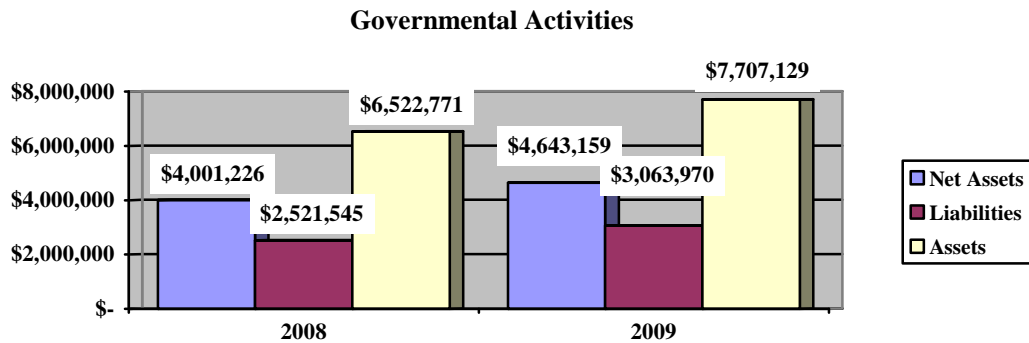
Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the School District's assets exceeded liabilities by \$4,643,159. Of this total, \$2,662,748 is unrestricted in use.

At year-end, capital assets represented 14.12 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets at June 30, 2009, were \$1,088,214. 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, \$963,310, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,662,748 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 2008 and 2009:



The table below shows the change in net assets for fiscal year 2008 and 2009.

	Change in Net Assets	
	Governmental Activities 2008	Governmental Activities 2009
Revenues		
Program Revenues:		
Charges for Services and Sales	\$560,798	\$620,754
Operating Grants and Contributions	870,617	841,754
Capital Grants and Contributions	3,519	7,168
General Revenues:		
Property Taxes	4,255,654	3,360,631
Revenue in Lieu of Taxes	68,986	6,137
Grants and Entitlements	2,808,333	3,210,428
Investment Earnings	133,015	75,344
Other	13,463	34,198
Total Revenues	\$8,714,385	\$8,156,414

(continued)

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

	Change in Net Assets	
	Governmental Activities 2008	Governmental Activities 2009
	<u>2008</u>	<u>2009</u>
<u>Expenses</u>		
Program Expenses:		
Instruction:		
Regular	\$4,436,450	\$4,077,258
Special	227,431	313,224
Vocational	777	0
Support services:		
Pupils	225,425	256,579
Instructional Staff	248,365	309,289
Board of Education	194,162	207,374
Administration	663,058	731,768
Fiscal	220,131	152,734
Operations and Maintenance	470,084	526,831
Pupil Transportation	294,356	307,594
Central	26,686	8,834
Food Service Operations	322,409	316,712
Extracurricular Activities	307,649	303,850
Interest and Fiscal Charges	826	2,434
Total Expenses	<u>7,637,809</u>	<u>7,514,481</u>
Change in Net Assets	1,076,576	641,933
Net Assets at Beginning of Year	<u>2,924,650</u>	<u>4,001,226</u>
Net Assets at End of Year	<u><u>\$4,001,226</u></u>	<u><u>\$4,643,159</u></u>

Governmental Activities

Net assets of the School District's governmental activities increased \$641,933. Total governmental expenses of \$7,514,481 were offset by program revenues of \$1,469,676 and general revenues of \$6,686,738. Program revenues supported 19.56 percent of the total governmental expenses.

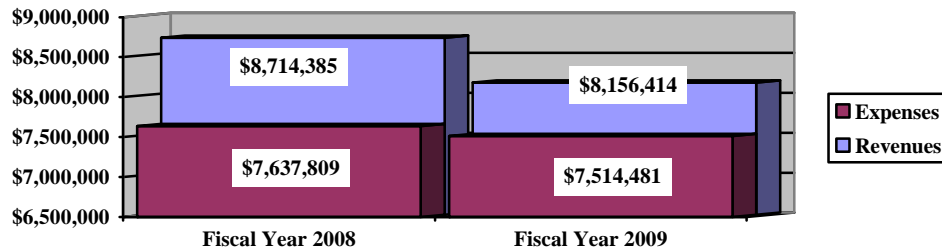
The primary sources of general revenues for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 80.56 percent of total governmental revenue. Operating grants and contributions program revenue represents 10.32 percent of total governmental revenue. The decrease in tax revenue is caused by a combination of the phase out of personal property tax and 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 amount available at June 30, 2009 was \$921,500 compared to \$939,400 at June 30, 2008.

The largest expense of the School District is for instructional programs. Instruction expenses totaled \$4,390,482 or 58.43 percent of total governmental expenses for fiscal year 2009.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The graph below presents the School District's governmental activities revenue and expenses for fiscal year 2008 and 2009.

Governmental Activities - Revenues and Expenses



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 2008	Net Cost of Services 2008	Total Cost of Services 2009	Net Cost of Services 2009
Program Expenses				
Instruction:				
Regular	\$4,436,450	\$3,880,207	\$4,077,258	\$3,557,495
Special	227,431	13,414	313,224	66,196
Vocational	777	777	0	0
Support Services:				
Pupils	225,425	89,328	256,579	120,538
Instructional Staff	248,365	216,923	309,289	256,164
Board of Education	194,162	194,162	207,374	207,374
Administration	663,058	663,058	731,768	726,768
Fiscal	220,131	220,131	152,734	152,734
Operations and Maintenance	470,084	465,034	526,831	514,663
Pupil Transportation	294,356	290,837	307,594	300,585
Central	26,686	21,686	8,834	8,834
Food Service Operations	322,409	(23,785)	316,712	(40,013)
Extracurricular Activities	307,649	170,277	303,850	171,033
Interest and Fiscal Charges	826	826	2,434	2,434
Total Expenses	\$7,637,809	\$6,202,875	\$7,514,481	\$6,044,805

The dependence upon tax and other general revenues for governmental activities is apparent, 82.54 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.44 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, 2009

The School District's Funds

The School District's governmental funds reported a combined fund balance of \$3,014,593 which is greater than last year's total of \$2,485,704. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2009.

	Fund Balance June 30, 2008	Fund Balance June 30, 2009	Increase/ (Decrease)	Percentage Change
General	\$1,593,470	\$2,081,065	\$487,595	30.60 %
Permanent Improvement				
Capital Projects Fund	470,889	523,994	53,105	11.28 %
Other Governmental Funds	421,345	409,534	(11,811)	(2.80) %
Total	\$2,485,704	\$3,014,593	\$528,889	21.28 %

General Fund

The School District's general fund balance increased \$487,595. Revenues exceed expenditures for fiscal year 2009 by \$416,552. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2008 Amount	2009 Amount	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Property Taxes	\$4,193,914	\$3,318,653	(\$875,261)	(20.87) %
Intergovernmental	3,084,488	3,341,594	257,106	8.34 %
Interest	91,879	58,802	(33,077)	(36.00) %
Tuition	273,930	344,218	70,288	25.66 %
Other Revenues	23,214	32,623	9,409	40.53 %
Total Revenues	\$7,667,425	\$7,095,890	(\$571,535)	(7.45) %
<u>Expenditures</u>				
Instruction	\$4,219,476	\$4,244,157	\$24,681	0.58 %
Support Services	2,068,670	2,252,265	183,595	8.88 %
Extracurricular Activities	167,724	171,480	3,756	2.24 %
Debt Service	3,110	11,436	8,326	267.72 %
Total Expenditures	\$6,458,980	\$6,679,338	\$220,358	3.30 %

Tax revenue decreased \$875,261 from the prior year, due to a combination of the phase out of personal property tax and the application of GAAP. Interest decreased \$33,077, 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 student open enrolled into our School District from surrounding districts. The increase in support services can be attributed to the School District's needs to both add a special education aide position and replace some maintenance equipment. Debt service expenditures increased significantly since the School District entered into a new capital lease for copier equipment during the fiscal year.

Brown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Permanent Improvement Capital Projects Fund

The permanent improvement capital projects fund had \$55,062 in revenues and \$1,957 in expenditures. During fiscal year 2009, the permanent improvement fund's fund balance increased \$53,105 from \$470,889 to \$523,994.

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 2009, the School District amended its general fund budget several times. For the general fund, original budgeted revenues were \$6,648,000 and final budgeted revenues were \$6,692,699. Actual revenues for fiscal year 2009 totaled \$7,117,621. This represents a \$424,922 increase from final budgeted revenues.

General fund original appropriations of \$6,894,129 were increased to \$6,923,723 in the final appropriations. The actual budget basis expenditures for fiscal year 2009 totaled \$6,736,846, which was \$186,877 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$1,088,214 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 2008 balances compared to 2009:

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

	Governmental Activities	
	2008	2009
Land	\$87,317	\$87,317
Land Improvements	155,070	144,755
Building and Improvements	590,553	546,472
Furniture and Equipment	87,312	154,154
Vehicles	176,887	155,516
Total	\$1,097,139	\$1,088,214

The overall decrease in capital assets of \$8,925 is due to depreciation expenses of \$115,339 exceeding capital asset additions of \$106,414 during the fiscal year.

See Note 11 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, 2009

Debt Administration

At June 30, 2009, the School District had a capital lease obligations of \$71,113 outstanding. The lease is comprised of two copier leases. \$15,819 of the capital lease obligation is due within one year, while \$55,294 is due in greater than one year.

Outstanding Debt at June 30

	Governmental Activities 2008	Governmental Activities 2009
Capital Leases	\$9,072	\$71,113

At June 30, 2009, the School District's overall legal debt margin was \$10,576,507 and the unvoted debt margin was \$117,517.

See Note 15 to the basic financial statements for additional information on the School District's debt administration.

Current Financial Related Activities

The School District passed a 6.3 mil Emergency Operating Levy in May 2005, which will generate \$700,000 each year for five years. The renewal of this levy will be on the ballot in November 2009. A 4.7 mil Renewal Emergency Operating Levy was passed in May 2009 generating \$523,000 for the ten years. In July 2009 House Bill 1 was passed which overhauls the way that State support of schools is calculated. Although there is potential for improvement of State funding within the new structure, our School District is taking an estimated \$26,000 reduction in fiscal year 2009. Another point of interest is that all State support to schools has been reduced by approximately 6.5 percent and supplemented with American Reinvestment and Recovery Act monies which are available for only two years. With these changes, concerns arise as to what the future will hold in these difficult economic times. The School District continues to monitor the expenditures to ensure that all public funds received are spent in an efficient and effective manner.

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: Mr. Derek Nottingham, Brown Local School District, 401 West Main Street, Malvern, Ohio 44644.

Basic Financial Statements

Brown Local School District

Statement of Net Assets

June 30, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,786,714
Cash and Cash Equivalents with Fiscal Agents	945,793
Intergovernmental Receivable	40,901
Materials and Supplies Inventory	4,183
Property Taxes Receivable	2,841,324
Nondepreciable Capital Assets	87,317
Depreciable Capital Assets, Net	1,000,897
<i>Total Assets</i>	<u>7,707,129</u>
Liabilities	
Accounts Payable	10,184
Accrued Wages and Benefits	540,001
Intergovernmental Payable	163,336
Deferred Revenue	1,829,863
Claims Payable	84,450
Long-Term Liabilities:	
Due Within One Year	57,186
Due In More Than One Year	378,950
<i>Total Liabilities</i>	<u>3,063,970</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,017,101
Restricted for:	
Capital Projects	525,609
Food Service	128,405
Public School Support	9,936
Termination Benefits	228,445
District Managed Student Activities	46,149
Title I Grant	21,506
Other Purposes	3,260
Unrestricted	2,662,748
<i>Total Net Assets</i>	<u><u>\$4,643,159</u></u>

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Assets
					Total
Governmental Activities					
Instruction:					
Regular	\$4,077,258	\$267,763	\$252,000	\$0	(\$3,557,495)
Special	313,224	77,737	169,291	0	(66,196)
Support Services:					
Pupils	256,579	13,328	122,713	0	(120,538)
Instructional Staff	309,289	0	53,125	0	(256,164)
Board of Education	207,374	0	0	0	(207,374)
Administration	731,768	0	5,000	0	(726,768)
Fiscal	152,734	0	0	0	(152,734)
Operation and Maintenance of Plant	526,831	5,000	0	7,168	(514,663)
Pupil Transportation	307,594	0	7,009	0	(300,585)
Central	8,834	0	0	0	(8,834)
Food Service Operations	316,712	124,109	232,616	0	40,013
Extracurricular Activities	303,850	132,817	0	0	(171,033)
Interest and Fiscal Charges	2,434	0	0	0	(2,434)
Totals	\$7,514,481	\$620,754	\$841,754	\$7,168	(6,044,805)
General Revenues					
Property Taxes Levied for:					
General Purposes					3,313,739
Capital Projects					46,892
Revenue in Lieu of Taxes					6,137
Grants and Entitlements not					
Restricted to Specific Programs					3,210,428
Investment Earnings					75,344
Miscellaneous					34,198
					<u>6,686,738</u>
					Total General Revenues
					<u>641,933</u>
					Change in Net Assets
					<u>4,001,226</u>
					Net Assets Beginning of Year
					<u>\$4,643,159</u>
					Net Assets End of Year

See accompanying notes to the basic financial statements

Brown Local School District*Balance Sheet**Governmental Funds**June 30, 2009*

	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,828,899	\$507,446	\$450,369	\$2,786,714
Intergovernmental Receivable	0	0	40,901	40,901
Materials and Supplies Inventory	0	0	4,183	4,183
Property Taxes Receivable	2,790,302	51,022	0	2,841,324
<i>Total Assets</i>	<u>\$4,619,201</u>	<u>\$558,468</u>	<u>\$495,453</u>	<u>\$5,673,122</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$8,833	\$0	\$1,351	\$10,184
Accrued Wages and Benefits	490,939	0	49,062	540,001
Intergovernmental Payable	153,014	0	10,322	163,336
Deferred Revenue	1,885,350	34,474	25,184	1,945,008
<i>Total Liabilities</i>	<u>2,538,136</u>	<u>34,474</u>	<u>85,919</u>	<u>2,658,529</u>
Fund Balances				
Reserved for Encumbrances	55,939	0	24,103	80,042
Reserved for Inventory	0	0	4,183	4,183
Reserved for Property Taxes	904,952	16,548	0	921,500
Unreserved, Undesignated				
Reported in:				
General Fund	1,120,174	0	0	1,120,174
Special Revenue Funds	0	0	381,248	381,248
Capital Projects Funds	0	507,446	0	507,446
<i>Total Fund Balances</i>	<u>2,081,065</u>	<u>523,994</u>	<u>409,534</u>	<u>3,014,593</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,619,201</u>	<u>\$558,468</u>	<u>\$495,453</u>	<u>\$5,673,122</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, 2009*

Total Governmental Fund Balances	\$3,014,593
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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	4,207,849	
Accumulated Depreciation	<u>(3,206,952)</u>	
 Total		 1,088,214

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

Delinquent Property Taxes	89,961	
Intergovernmental	<u>25,184</u>	
 Total		 115,145

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.

861,343

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

Capital Lease Payable	(71,113)	
Compensated Absences	<u>(365,023)</u>	
 Total		 <u>(436,136)</u>

<i>Net Assets of Governmental Activities</i>	<u><u>\$4,643,159</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, 2009

	General Fund	Permanent Improvement Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,318,653	\$47,894	\$0	\$3,366,547
Revenue in Lieu of Taxes	6,137	0	0	6,137
Intergovernmental	3,335,457	7,168	691,432	4,034,057
Interest	58,802	0	996	59,798
Tuition and Fees	344,218	0	0	344,218
Extracurricular Activities	0	0	146,145	146,145
Rentals	5,000	0	0	5,000
Charges for Services	1,282	0	124,109	125,391
Contributions and Donations	109	0	0	109
Miscellaneous	26,232	0	7,966	34,198
<i>Total Revenues</i>	<u>7,095,890</u>	<u>55,062</u>	<u>970,648</u>	<u>8,121,600</u>
Expenditures				
Current:				
Instruction:				
Regular	3,930,512	0	311,672	4,242,184
Special	313,645	0	0	313,645
Support Services:				
Pupils	110,168	0	151,732	261,900
Instructional Staff	247,581	0	60,823	308,404
Board of Education	207,374	0	0	207,374
Administration	745,661	0	13,514	759,175
Fiscal	154,059	0	0	154,059
Operation and Maintenance of Plant	488,061	0	1,342	489,403
Pupil Transportation	292,666	0	0	292,666
Central	6,695	0	2,139	8,834
Food Service Operations	0	0	319,342	319,342
Extracurricular Activities	171,480	0	121,895	293,375
Capital Outlay	0	1,957	0	1,957
Debt Service:				
Principal Retirement	9,002	0	0	9,002
Interest and Fiscal Charges	2,434	0	0	2,434
<i>Total Expenditures</i>	<u>6,679,338</u>	<u>1,957</u>	<u>982,459</u>	<u>7,663,754</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	416,552	53,105	(11,811)	457,846
Other Financing Sources				
Inception of Capital Lease	71,043	0	0	71,043
<i>Net Change in Fund Balances</i>	487,595	53,105	(11,811)	528,889
<i>Fund Balances Beginning of Year</i>	<u>1,593,470</u>	<u>470,889</u>	<u>421,345</u>	<u>2,485,704</u>
<i>Fund Balances End of Year</i>	<u>\$2,081,065</u>	<u>\$523,994</u>	<u>\$409,534</u>	<u>\$3,014,593</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, 2009*

Net Change in Fund Balances - Total Governmental Funds	\$528,889
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***Amounts reported for governmental activities in the
statement of activities are different because***

Governmental funds report capital outlays as expenditures.

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

Capital Asset Additions	106,414
Current Year Depreciation	<u>(115,339)</u>

Total	(8,925)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(5,916)
Intergovernmental	25,184
Interest	<u>(1,417)</u>

Total	17,851
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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.

9,002

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.

46,657

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

(71,043)

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.

119,502

Change in Net Assets of Governmental Activities

\$641,933

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget		
Revenues				
Property Taxes	\$3,210,000	\$3,210,000	\$3,327,456	\$117,456
Revenue in Lieu of Taxes	6,000	6,000	6,137	137
Intergovernmental	3,082,000	3,082,000	3,335,457	253,457
Interest	70,000	70,000	58,959	(11,041)
Tuition and Fees	255,000	279,843	344,218	64,375
Rentals	5,000	5,000	5,000	0
Charges for Services	0	0	1,282	1,282
Contributions and Donations	0	0	109	109
Miscellaneous	20,000	39,856	39,003	(853)
<i>Total Revenues</i>	6,648,000	6,692,699	7,117,621	424,922
Expenditures				
Current:				
Instruction:				
Regular	4,009,235	3,976,071	3,977,328	(1,257)
Special	298,966	344,167	303,792	40,375
Vocational	0	2,000	0	2,000
Support Services:				
Pupils	139,574	141,895	110,608	31,287
Instructional Staff	248,992	275,102	263,483	11,619
Board of Education	227,450	216,063	213,018	3,045
Administration	683,943	691,992	690,906	1,086
Fiscal	163,075	155,362	156,727	(1,365)
Operation and Maintenance of Plant	617,519	599,782	532,559	67,223
Pupil Transportation	318,125	327,306	310,528	16,778
Central	11,000	16,670	6,695	9,975
Extracurricular Activities	176,250	177,313	171,202	6,111
<i>Total Expenditures</i>	6,894,129	6,923,723	6,736,846	186,877
<i>Net Change in Fund Balance</i>	(246,129)	(231,024)	380,775	611,799
<i>Fund Balance Beginning of Year</i>	1,226,792	1,226,792	1,226,792	0
Prior Year Encumbrances Appropriated	156,796	156,796	156,796	0
<i>Fund Balance End of Year</i>	\$1,137,459	\$1,152,564	\$1,764,363	\$611,799

See accompanying notes to the basic financial statements

Brown Local School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2009

	<u>Insurance</u>
Assets	
Cash and Cash Equivalents with Fiscal Agents	\$945,793
Liabilities	
Claims Payable	<u>84,450</u>
Net Assets	
Unrestricted	<u><u>861,343</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, 2009*

	Insurance
Operating Revenues	
Charges for Services	\$1,325,074
Operating Expenses	
Purchased Services	195,670
Claims	1,026,865
<i>Total Operating Expenses</i>	1,222,535
<i>Operating Income</i>	102,539
Non-Operating Revenues	
Interest	16,963
<i>Change in Net Assets</i>	119,502
<i>Net Assets Beginning of Year</i>	741,841
<i>Net Assets End of Year</i>	\$861,343

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, 2009

	Insurance
Increase in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Internal Services Provided	\$1,325,074
Cash Payments for Employee Benefits	(136,655)
Cash Payments for Services	(59,015)
Cash Payments for Claims	(1,069,811)
<i>Net Cash Provided by Operating Activities</i>	59,593
Cash Flows from Investing Activities	
Interest on Investments	16,963
<i>Net Increase in Cash and Cash Equivalents</i>	76,556
<i>Cash and Cash Equivalents Beginning of Year</i>	869,237
<i>Cash and Cash Equivalents End of Year</i>	\$945,793
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$102,539
Adjustments:	
Decrease in Claims Payable	(42,946)
<i>Net Cash Provided by Operating Activities</i>	\$59,593

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private-Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,521	\$27,854
Liabilities		
Due to Students	2,000	\$27,854
Net Assets		
Held in Trust for Scholarships	\$8,521	

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, 2009

	<u>Scholarship</u>
Additions	
Interest	\$145
Gifts and Contributions	<u>1,000</u>
Total Additions	1,145
Deductions	
Scholarships Awarded	<u>5,000</u>
<i>Change in Net Assets</i>	(3,855)
<i>Net Assets at Beginning of Year</i>	<u>12,376</u>
<i>Net Assets at End of Year</i>	<u><u>\$8,521</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, 2009

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 29 non-certified employees and 60 certified employees who provide services to 720 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 insurance purchasing pools. These organizations are presented in Note 17 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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, 2009

A. 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.

B. 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 all financial resources except those required to be accounted for 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, 2009

Permanent Improvement Capital Projects Fund The permanent improvement capital projects fund accounts for financial resources 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 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 scholarships and one agency fund which accounts for student managed activities.

C. 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, 2009

D. 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 7) 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, 2009, but which were levied to finance fiscal year 2010 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, 2009

E. 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 2009, investments were limited to STAROhio 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 share price which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$58,802 which includes \$39,245 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. The School District also uses a fiscal agent to account for debt service payments. The balances in these accounts are also presented as "cash and cash equivalents with fiscal agents."

F. 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.

G. 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.

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

H. 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, 2009, 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, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

I. Accrued Liabilities and Long-Term Obligations

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

J. 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 either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$963,310 of restricted net assets, none of which are restricted by enabling legislation. Net assets restricted for other purposes include funds for poverty aid, gifted supplements, and Title II-D professional development.

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

K. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, and material and supplies inventory.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

L. 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.

M. Interfund Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

N. 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.

O. 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.

P. Budgetary Data

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

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

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

Note 3 – Change in Accounting Principles

For fiscal year 2009, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments," Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the School District's financial statements.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

GASB Statement No. 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. The implementation of this Statement did not result in any change to the School District's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statement of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and the subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 –Accountability

Fund balances at June 30, 2009, included the following individual fund deficits:

<i>Non-Major Funds</i>	
EMIS Fund	\$166
Entry Year Teacher	51
SchoolNet	6
Title VI-B	5,223
Title II-A	3,634

The deficits in the non-major funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 as a reservation of fund (GAAP basis).

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	\$487,595
Net Adjustment for Revenue Accruals	(49,312)
Net Adjustment for Expenditure Accruals	7,028
Adjustment for Encumbrances	<u>(64,536)</u>
Budget Basis	<u><u>\$380,775</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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, 2009, the School District's self-insurance internal service fund had a cash balance of \$945,793 with OME-RESA, a claims servicing pool (See Note 10). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement No. 40. The classification of cash and cash equivalents and investments for the 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.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$1,005,765 of the School District's bank balance of \$2,143,229 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2009, the School District only had an investment of \$802,871 in STAROhio, the State Treasurer's Investment Pool. This investment has an average maturity of 58.1 days.

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.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 7 - 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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. 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.

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, 2009, are available to finance fiscal year 2009 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, 2009 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, 2009, was \$904,952 in the general fund and \$16,548 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2008, was \$913,755 in the general fund and \$25,645 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.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$112,053,730	90.75%	\$113,261,460	91.29%
Public Utility Personal	4,793,440	3.88	4,793,440	3.86
General Business Personal	6,625,990	5.37	6,009,530	4.85
Total	\$123,473,160	100.00%	\$124,064,430	100.00%
Full Tax Rate per \$1,000 of assessed valuation:				
Operations	\$43.10		\$43.10	
Permanent Improvements	1.00		1.00	
Total	\$44.10		\$44.10	

Note 8 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

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

Note 9 - Receivables

Receivables at June 30, 2009, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

A summary of the principal items of intergovernmental receivables follows:

	Amount
IDEA, Part B	\$2,797
Title I	34,804
Title II-A	3,300
Total	\$40,901

Note 10 - Risk Management

A. 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 2009, the School District contracted with SORSA (Schools of Ohio Risk Sharing Authority), a risk sharing pool, for liability, real property, building contents, boiler/machinery and vehicles. The following is a description of the School District's insurance coverage:

Type of Coverage	Coverage Amount
General Liability:	
Each Occurrence	\$1,000,000
Aggregate	3,000,000
Property/Building and Contents	18,937,870
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.

B. Workers' Compensation

For fiscal year 2009, 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.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

C. 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 \$84,450 reported in the internal service fund at June 30, 2009 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 2008 and 2009 were:

	Beginning of Year	Year Claims	Claim Payments	End of Year
2008	\$95,704	\$853,075	\$821,383	\$127,396
2009	127,396	1,026,865	1,069,811	84,450

Note 11- Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/2008	Additions	Deductions	Balance 6/30/2009
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	2,635,735	16,088	0	2,651,823
Furniture and Equipment	619,663	90,326	0	709,989
Vehicles	594,417	0	0	594,417
<i>Total Depreciable Assets</i>	4,101,435	106,414	0	4,207,849
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(96,550)	(10,315)	0	(106,865)
Building and Improvements	(2,045,182)	(60,169)	0	(2,105,351)
Furniture and Equipment	(532,351)	(23,484)	0	(555,835)
Vehicles	(417,530)	(21,371)	0	(438,901)
<i>Total Accumulated Depreciation</i>	(3,091,613)	(115,339) *	0	(3,206,952)
<i>Depreciable Capital Assets, Net</i>	1,009,822	(8,925)	0	1,000,897
Governmental Activities Capital Assets, Net	\$1,097,139	(\$8,925)	\$0	\$1,088,214

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$5,240
Support Services:	
Instructional Staff	3,701
Administration	3,768
Operation and Maintenance of Plant	69,241
Pupil Transportation	21,371
Food Service Operations	1,543
Extracurricular Activities	10,475
Total Depreciation Expense	<u>\$115,339</u>

Note 12 – Defined Benefits Pension Plans

A. School Employee Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$61,228, \$60,480 and \$61,899 respectively; 45.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. 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.

Brown Local School District
Notes to the Basic Financial Statements
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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 Chapter 3307 of the Ohio Revised Code.

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 - For the fiscal year ended June 30, 2009, 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. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$407,157, \$397,939, and \$377,574 respectively; 86.42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$10,994 made by the School District and \$13,468 made by the plan members.

C. 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, 2009, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 13 – Postemployment Benefits

A. 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

Brown Local School District
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For the Fiscal Year Ended June 30, 2009

hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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, 2009, 2008, and 2007 were \$28,113, \$39,654, and \$31,987 respectively; 45.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, 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, 2009, 2008, and 2007 were \$5,271, \$4,358, and \$4,209 respectively; 45.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. 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. 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 law 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 pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$31,320, \$30,611, and \$29,044 respectively; 86.42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 14 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of two days per worked month. Sick leave may be accumulated up to a maximum of 302 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 70 days for all employees. An employee receiving such payment must meet the retirement provisions set by STRS and SERS.

B. 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, \$4.35 per certified employee and \$5.08 per classified employee.

Note 15 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

	Principal Outstanding 6/30/2008	Additions	Reductions	Principal Outstanding 6/30/2009	Amounts Due in One Year
Governmental Activities					
Capital Leases	\$9,072	\$71,043	(\$9,002)	\$71,113	\$15,819
Compensated Absences	411,680	21,782	(68,439)	365,023	41,367
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$420,752</u>	<u>\$92,825</u>	<u>(\$77,441)</u>	<u>\$436,136</u>	<u>\$57,186</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 \$10,576,507 with an unvoted debt margin of \$117,517 at June 30, 2009.

Note 16 - Capital Leases

The School District has two capital leases for copier machines. These leases meet 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 \$83,909 (\$12,866 and \$71,043, respectively); accumulated depreciation through June 30, 2009 amounted to \$11,508 (\$6,433 and \$5,075, respectively) leaving a book value of \$72,401 (\$6,433 and \$65,968, respectively). The following is a schedule of the

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009. The agreements provide for minimum, annual lease payments as follows:

Year Ending June 30,	
2010	\$19,248
2011	19,248
2012	16,915
2013	16,139
2014	8,069
Total minimum lease payments	79,619
Less: Amount representing interest	(8,506)
Present Value of Minimum Lease Payments	\$71,113

Note 17 - Jointly Governed Organization and Public Entity Risk Pools

A. 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 2009, the School District paid \$33,633 to SPARCC for services rendered.

B. 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 seventy-five 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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

Note 18 - 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 purchase of textbooks and other instructional materials and an equal amount 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 purposes in future years.

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

	Textbooks	Capital Improvements
Set-aside Reserve Balances as of June 30, 2008	(\$36,277)	\$5,032
Current Year Set-aside Requirement	118,269	118,269
Qualifying Disbursements	(107,401)	(147,949)
Total	(\$25,409)	(\$24,648)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$25,409)	\$0

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

SUPPLEMENTARY DATA

BROWN LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Nutrition Cluster:				
(C) (D) School Breakfast Program	10.553	2009	\$ 68,694	\$ 68,694
Total School Breakfast Program			<u>68,694</u>	<u>68,694</u>
(C) (D) National School Lunch Program	10.555	2009	141,406	141,406
(D) (E) National School Lunch Program - Food Donation	10.555	2009	16,352	16,352
Total National School Lunch Program			<u>157,758</u>	<u>157,758</u>
Total Nutrition Cluster			<u>226,452</u>	<u>226,452</u>
Total U.S. Department of Agriculture			<u>226,452</u>	<u>226,452</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(F) Title I Grants to Local Educational Agencies	84.010	2008	(5,242)	-
(F) Title I Grants to Local Educational Agencies	84.010	2009	186,997	176,755
Total Title I Grants to Local Educational Agencies			<u>181,755</u>	<u>176,755</u>
(F) Special Education_Grants to States	84.027	2008	(29,735)	-
(F) Special Education_Grants to States	84.027	2009	197,706	196,094
Total Special Education _Grants to States			<u>167,971</u>	<u>196,094</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	3,191	3,191
Total Safe and Drug-Free Schools and Communities_State Grants			<u>3,191</u>	<u>3,191</u>
Javits Gifted and Talented Students Education Grant Program	84.206	2009	2,669	-
Total Javits Gifted and Talented Students Education Grant Program			<u>2,669</u>	<u>-</u>
State Grants for Innovative Programs	84.298	2009	547	547
Total State Grants for Innovative Programs			<u>547</u>	<u>547</u>
Education Technology State Grants	84.318	2008	194	1,411
Education Technology State Grants	84.318	2009	2,002	1,504
Total Educational Technology State Grants			<u>2,196</u>	<u>2,915</u>
(F) Improving Teacher Quality State Grants	84.367	2008	(169)	-
(F) Improving Teacher Quality State Grants	84.367	2009	54,268	47,119
Total Improving Teacher Quality State Grants			<u>54,099</u>	<u>47,119</u>
Total U.S. Department of Education			<u>412,428</u>	<u>426,621</u>
Total Federal Financial Assistance			<u>\$ 638,880</u>	<u>\$ 653,073</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2009.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2008	\$ 5,242	
Title I Grants to Local Educational Agencies	84.010	2009		\$ 5,242
Special Education_Grants to States	84.027	2008	\$ 33,315	
Special Education_Grants to States	84.027	2009		\$ 33,315
Improving Teacher Quality State Grants	84.367	2008	\$ 169	
Improving Teacher Quality State Grants	84.367	2009		\$ 169



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown Local School District as of and for the fiscal year ended June 30, 2009, which collectively comprise Brown Local School District's basic financial statements and have issued our report thereon dated October 2, 2009. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brown Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brown Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Brown Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Brown Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Brown Local School District's financial statements that is more than inconsequential will not be prevented or detected by Brown Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Brown Local School District's internal control.

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

Board of Education
Brown Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brown Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Education of Brown Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
October 2, 2009



Julian & Grube, Inc.
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**Report on Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

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

Compliance

We have audited the compliance of Brown Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2009. Brown Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Brown Local School District's management. Our responsibility is to express an opinion on Brown Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brown Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Brown Local School District's compliance with those requirements.

In our opinion, Brown Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of Brown Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Brown Local School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brown Local School District's internal control over compliance.

Board of Education
Brown Local School District

A control deficiency in Brown Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Brown Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Brown Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Brown Local School District's internal control.

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 that might be 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.

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



Julian & Grube, Inc.
October 2, 2009

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Nutrition Cluster - School Breakfast Program - CFDA #10.553 and National School Lunch Program - CFDA #10.555
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 5, 2006.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
3. We read the policy and noted that it did not contain the following procedure in accordance with Ohio Revised Code Section 3313.666(B):
- (1) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education of Brown Local School District and is not intended to be and should not be used by anyone other than this specified party.



Mary Taylor, CPA
Auditor of State

BROWN LOCAL SCHOOL DISTRICT

CARROLL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2009**