



Dave Yost • Auditor of State

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Brown Local School District
Carroll County
3242 Coral Road NW
Malvern, Ohio 44644

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brown Local School District, Carroll County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brown Local School District, Carroll County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2017

Brown Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The management's discussion and analysis of the Brown Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. 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 fiscal year 2016 are as follows:

- Net position of governmental activities increased by \$1,000,711 over fiscal year 2015. This increase is primarily due to a significant increase in construction in progress related to the construction of the new school building.
- General revenues accounted for \$7,744,912 in revenue, or 82.16 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$1,682,276 or 17.84 percent of total revenues of \$9,427,188.
- The School District continued to use the funding received from the Ohio School Facilities Commission (OSFC) in fiscal year 2014 to construct a new school building. Capital assets increased due to construction in progress related to the project. This building project was ongoing throughout fiscal year 2016 and was completed by the first day of school in fiscal year 2017.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources,

Brown Local School District
Management's Discussion and Analysis
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liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

The School District's statement of net position and statement of activities can be found on pages 13 and 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 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the classroom facilities capital projects fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported on the statement of net position and in the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for college scholarship programs. This activity is presented as a private-purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 20 and 21. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-54 of this report.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal years 2016 and 2015.

Table 1
Net Position
Governmental Activities

	2016	2015	Change
<u>Assets</u>			
Current and Other Assets	\$16,120,404	\$30,675,753	(\$14,555,349)
Capital Assets, Net	24,147,994	4,890,345	19,257,649
Total Assets	<u>40,268,398</u>	<u>35,566,098</u>	<u>4,702,300</u>
<u>Deferred Outflows of Resources</u>			
Pension	736,963	490,562	246,401
<u>Liabilities</u>			
Current Liabilities	4,769,698	1,932,125	(2,837,573)
Long-Term Liabilities:			
Due Within One Year	233,287	226,113	(7,174)
Due in More Than One Year:			
Net Pension Liability	7,985,184	7,235,340	(749,844)
Other Amounts	17,664,097	17,787,904	123,807
Total Liabilities	<u>30,652,266</u>	<u>27,181,482</u>	<u>(3,470,784)</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes	2,971,149	1,909,980	(1,061,169)
Pension	725,363	1,309,326	583,963
Total Deferred Inflows of Resources	<u>3,696,512</u>	<u>3,219,306</u>	<u>(477,206)</u>
<u>Net Position</u>			
Net Investment in Capital Assets	7,394,268	1,831,996	5,562,272
Restricted	2,551,471	8,027,430	(5,475,959)
Unrestricted (Deficit)	<u>(3,289,156)</u>	<u>(4,203,554)</u>	<u>914,398</u>
Total Net Position	<u>\$6,656,583</u>	<u>\$5,655,872</u>	<u>\$1,000,711</u>

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed that follow, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the School District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,656,583. This amount is higher than net position at June 30, 2015, denoting improvement in the School District's financial position.

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At fiscal year-end, capital assets represented 60 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets at June 30, 2016, were \$24,147,994. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the School District's net position, \$2,551,471, represents resources that are subject to external restriction on how they may be used. Since restricted net position and the net investment in capital assets exceed the total net position, there is no remaining unrestricted net position that may be used to meet the School District's ongoing obligations to the students and creditors. Rather, the unrestricted net position shows a deficit of \$3,289,156.

The graph below presents the School District's governmental activities net position, liabilities (includes deferred inflows of resources) and assets for fiscal years 2016 and 2015:

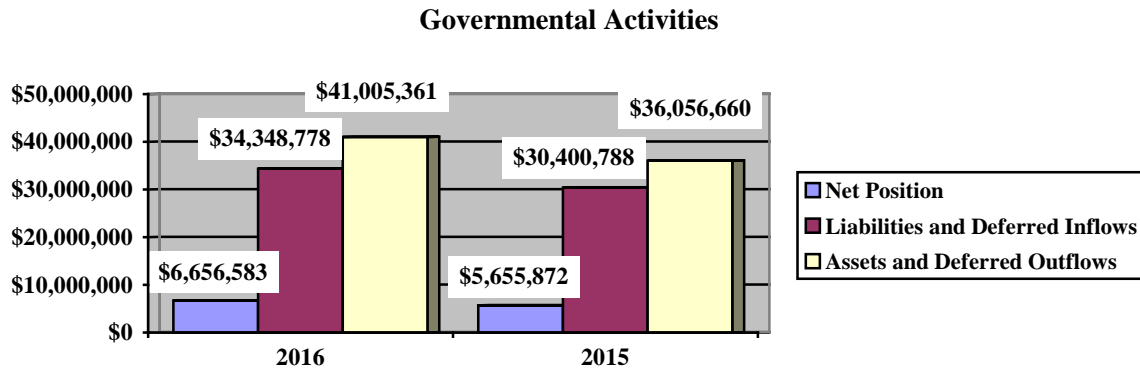


Table 2 shows the change in net position for fiscal years 2016 and 2015.

Table 2
Change in Net Position

	2016	2015	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$643,739	\$553,613	\$90,126
Operating Grants and Contributions	1,038,537	1,277,226	(238,689)
General Revenues:			
Property Taxes	4,366,548	4,166,446	200,102
Grants and Entitlements	3,262,687	3,136,612	126,075
Investment Earnings	70,830	72,424	(1,594)
Miscellaneous	44,847	94,033	(49,186)
Total Revenues	\$9,427,188	\$9,300,354	\$126,834

(continued)

Brown Local School District
Management's Discussion and Analysis
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Unaudited

Table 2
Change in Net Position (continued)

	2016	2015	Change
<u>Program Expenses</u>			
Instruction:			
Regular	\$3,599,507	\$4,308,742	\$709,235
Special	674,976	647,282	(27,694)
Vocational	32,480	33,813	1,333
Support Services:			
Pupils	269,249	274,125	4,876
Instructional Staff	192,331	339,302	146,971
Board of Education	246,583	274,030	27,447
Administration	674,898	561,092	(113,806)
Fiscal	170,174	187,352	17,178
Operation and Maintenance of Plant	548,745	558,247	9,502
Pupil Transportation	378,911	376,615	(2,296)
Central	4,677	4,436	(241)
Operations of Non-Instructional Services	298,555	304,967	6,412
Extracurricular Activities	494,657	321,417	(173,240)
Interest and Fiscal Charges	840,734	823,581	(17,153)
Total Expenses	<u>8,426,477</u>	<u>9,015,001</u>	<u>588,524</u>
Change in Net Position	1,000,711	285,353	715,358
Net Position at Beginning of Year	<u>5,655,872</u>	<u>5,370,519</u>	<u>285,353</u>
Net Position at End of Year	<u><u>\$6,656,583</u></u>	<u><u>\$5,655,872</u></u>	<u><u>\$1,000,711</u></u>

Governmental Activities

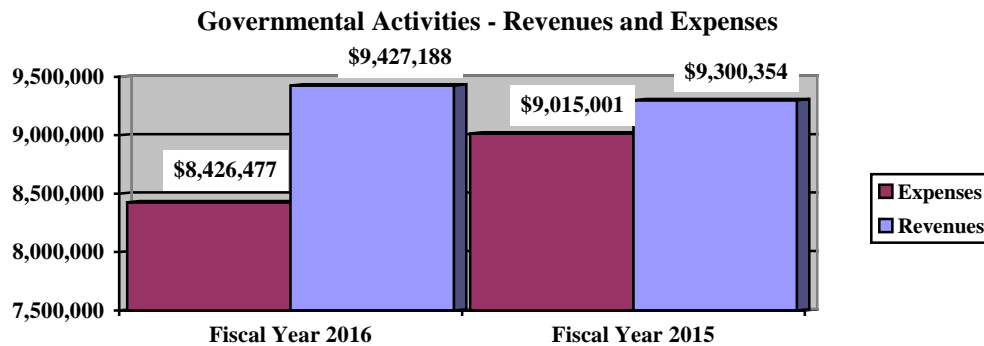
Net position of the School District's governmental activities increased \$1,000,711. Total governmental expenses of \$8,426,477 were offset by revenues of \$9,427,188.

The primary sources of general revenues for governmental activities are derived from property taxes and grants and entitlements. General revenue sources represent 82.16 percent of total governmental revenue. Charges for services and sales program revenue represents 6.83 percent of total governmental revenue and operating grants and contributions program revenue represents 11.01 percent of total governmental revenue. The increase in general revenue is mainly due to an increase in property tax revenues and accompanying homestead and rollback revenues as a result of an increase in assessed values in the School District.

The largest expense of the School District is for instructional programs. Instruction expenses totaled \$4,306,963 or 51.11 percent of total governmental expenses for fiscal year 2016.

The following graph presents the School District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

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The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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.

Table 3
 Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program Expenses				
Instruction:				
Regular	\$3,599,507	\$3,029,219	\$4,308,742	\$3,470,214
Special	674,976	235,366	647,282	237,585
Vocational	32,480	21,561	33,813	21,470
Support Services:				
Pupils	269,249	252,390	274,125	259,760
Instructional Staff	192,331	172,306	339,302	307,085
Board of Education	246,583	231,913	274,030	260,603
Administration	674,898	620,050	561,092	530,383
Fiscal	170,174	159,124	187,352	177,356
Operation and Maintenance of Plant	548,745	512,471	558,247	528,747
Pupil Transportation	378,911	350,167	376,615	348,425
Central	4,677	4,367	4,436	4,196
Operation of Non-Instructional Services	298,555	(20,194)	304,967	33,383
Extracurricular Activities	494,657	334,727	321,417	181,374
Interest and Fiscal Charges	840,734	840,734	823,581	823,581
Total Expenses	<u>\$8,426,477</u>	<u>\$6,744,201</u>	<u>\$9,015,001</u>	<u>\$7,184,162</u>

The dependence upon tax and other general revenues for governmental activities is apparent. For all governmental activities, general revenue support is over 82 percent of total revenues. The School District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for School District's students.

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The School District's Funds

The School District's governmental funds reported a combined fund balance of \$8,263,675, which is significantly lower than last fiscal year's total due to a large amount of resources in the classroom facilities capital projects fund being used to fund the new school building construction project. Both revenues and expenditures increased from fiscal year 2015, while total other financing sources and uses decreased. The increase in revenues was due to a slight increase in property tax revenues as a result of an increase in assessed values in the School District. The large increase in expenditures was due to the expenditure of OSFC monies related to the construction of a new school building. The decrease in total other financing sources and uses was related to a decrease in receipts for the sale of capital assets in fiscal year 2016. The following schedule indicates the fund balance as of June 30, 2016 and 2015, and the total change in fund balance.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase/ (Decrease)	Percentage Change
General	\$5,039,754	\$3,952,481	\$1,087,273	27.51 %
Classroom Facilities				
Capital Projects Fund	1,450,610	16,332,455	(14,881,845)	(91.12) %
Other Governmental Funds	1,773,311	3,069,688	(1,296,377)	(42.23) %
Total	\$8,263,675	\$23,354,624	(\$15,090,949)	(64.62) %

General Fund

The School District's general fund balance increased \$1,087,273. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2016 Amount	2015 Amount	Increase/ (Decrease)	Percentage Change
Revenues				
Property Taxes	\$3,527,505	\$3,341,299	\$186,206	5.57 %
Intergovernmental	3,454,364	3,326,860	127,504	3.83 %
Interest	17,881	5,420	12,461	229.91 %
Tuition and Fees	437,307	366,028	71,279	19.47 %
Extracurricular Activities	25,592	26,775	(1,183)	(4.42) %
Rentals	0	1,890	(1,890)	(100.00) %
Miscellaneous	44,847	93,261	(48,414)	(51.91) %
Total Revenues	\$7,507,496	\$7,161,533	\$345,963	4.83 %
Expenditures				
Instruction	\$3,776,419	\$3,985,634	(\$209,215)	(5.25) %
Support Services	2,417,416	2,610,799	(193,383)	(7.41) %
Extracurricular Activities	201,287	202,417	(1,130)	(0.56) %
Capital Outlay	0	445,061	(445,061)	(100.00) %
Debt Service	15,552	15,552	0	0.00 %
Total Expenditures	\$6,410,674	\$7,259,463	(\$848,789)	(11.69) %

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The significant decrease in instruction costs was due to tight budget control on the part of the School District's administration. Also, as more experienced and higher paid teachers retired they were replaced by less experienced and lower paid teachers. The sharp decrease in capital outlay is due to the lack of capital asset purchases from general fund during fiscal year 2016, while two school busses and land for the ongoing building project were purchased during fiscal year 2015.

Classroom Facilities Capital Projects Fund

The classroom facilities capital projects fund had \$3,380,664 in revenues and \$18,262,509 in expenditures. During fiscal year 2016, the classroom facilities fund's fund balance decreased by \$14,881,845 due to significantly higher capital outlay expenditures related to the construction of a new school building.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the School District amended its general fund budget several times. For the general fund, original budgeted revenues were \$7,017,328 and final budgeted revenues were \$7,356,007, due in large part to increases in property tax and intergovernmental revenues. Actual revenues for fiscal year 2016 totaled \$7,350,857. This represents a \$5,150 decrease from final budgeted revenues.

General fund original appropriations of \$7,909,490 were increased to \$8,276,713 in the final appropriations. The actual budget basis expenditures for fiscal year 2016 totaled \$6,955,088, which was \$1,321,625 less than the final budget appropriations due to reduced spending in several areas such as instruction, operation and maintenance of plant, and pupil transportation.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2016 balances compared to 2015:

Table 4
 Capital Assets at June 30
 Governmental Activities
 Net of Depreciation

	2016	2015
Land	\$447,649	\$447,649
Construction in Progress	23,290,442	3,954,593
Land Improvements	95,898	102,098
Building and Improvements	10,160	3,253
Furniture and Equipment	95,201	137,448
Vehicles	208,644	245,304
Total	\$24,147,994	\$4,890,345

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The overall increase in capital assets of \$19,257,649 is primarily due to construction in progress related to new building construction. See Note 11 to the basic financial statements for additional information on the School District's capital assets.

Debt Administration

Table 5 summarizes the debt outstanding for fiscal years 2016 and 2015.

Table 5
 Outstanding Debt at June 30
 Governmental Activities

	2016	2015
General Obligation Bonds	\$17,688,749	\$17,826,137
Capital Leases	24,946	39,060
	\$17,713,695	\$17,865,197

At June 30, 2016, the School District's overall legal debt margin was \$0 and the unvoted debt margin was \$123,657.

See Notes 12 and 13 to the basic financial statements for additional information on the School District's debt administration.

Current Financial Related Activities

The School District relies on property tax revenue coupled with State revenue to maintain the education of our student body. During fiscal year 2016, the School District saw modest increases in both of these revenue streams. The overall financial goal of the School District is to maintain a positive cash balance and keep expenses in line with available revenue. The School District will have be able to maintain that positive cash balance for the foreseeable future but, as expenses continue to climb at a higher rate than revenue, the School District will soon cross into deficit spending. The School District's administration will be actively monitoring expenditures in order to delay deficit spending as long as possible.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. James Carman, Brown Local School District, 3242 Coral Road Northwest, Malvern, Ohio 44644.

Brown Local School District

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,270,304
Accounts Receivable	19,007
Accrued Interest Receivable	11,067
Intergovernmental Receivable	407,366
Inventory Held for Resale	8,900
Materials and Supplies Inventory	2,868
Property Taxes Receivable	4,400,892
Nondepreciable Capital Assets	23,738,091
Depreciable Capital Assets, Net	409,903
<i>Total Assets</i>	<u>40,268,398</u>
Deferred Outflows of Resources	
Pension	736,963
Liabilities	
Accounts Payable	76,722
Contracts Payable	3,756,915
Accrued Wages and Benefits	478,987
Intergovernmental Payable	97,106
Accrued Interest Payable	359,968
Long-Term Liabilities:	
Due Within One Year	233,287
Due in More Than One Year:	
Net Pension Liability (See Note 15)	7,985,184
Other Amounts	17,664,097
<i>Total Liabilities</i>	<u>30,652,266</u>
Deferred Inflows of Resources	
Property Taxes	2,971,149
Pension	725,363
<i>Total Deferred Inflows of Resources</i>	<u>3,696,512</u>
Net Position	
Net Investment in Capital Assets	7,394,268
Restricted for:	
Capital Projects	2,283,465
Food Service	66,496
Regular Instruction	5,889
Classroom Maintenance	168,555
District Managed Student Activities	27,066
Unrestricted (Deficit)	<u>(3,289,156)</u>
<i>Total Net Position</i>	<u><u>\$6,656,583</u></u>

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues		Net (Expense)
	Expenses	Charges for Services and Sales	Revenue and Change in Net Position
		Operating Grants, Contributions and Interest	Total
Instruction:			
Regular	\$3,599,507	\$205,048	\$365,240
Special	674,976	39,985	399,625
Vocational	32,480	2,192	8,727
Support Services:			
Pupils	269,249	16,859	0
Instructional Staff	192,331	14,625	5,400
Board of Education	246,583	14,670	0
Administration	674,898	54,848	0
Fiscal	170,174	11,050	0
Operation and Maintenance of Plant	548,745	36,274	0
Pupil Transportation	378,911	28,744	0
Central	4,677	310	0
Operation of Non-Instructional Services	298,555	59,204	259,545
Extracurricular Activities	494,657	159,930	0
Interest and Fiscal Charges	840,734	0	0
Totals	\$8,426,477	\$643,739	\$1,038,537
General Revenues			
Property Taxes Levied for:			
General Purposes			3,556,098
Debt Service			689,275
Capital Outlay			69,350
Other Purposes			51,825
Grants and Entitlements not			
Restricted to Specific Programs			3,262,687
Investment Earnings			70,830
Miscellaneous			44,847
Total General Revenues			7,744,912
Change in Net Position			1,000,711
<i>Net Position Beginning of Year</i>			5,655,872
<i>Net Position End of Year</i>			\$6,656,583

See accompanying notes to the basic financial statements

Brown Local School District*Balance Sheet**Governmental Funds**June 30, 2016*

	General Fund	Classroom Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,453,141	\$4,844,672	\$1,972,491	\$11,270,304
Accounts Receivable	16,988	0	2,019	19,007
Accrued Interest Receivable	11,067	0	0	11,067
Intergovernmental Receivable	36,790	254,486	116,090	407,366
Interfund Receivable	46,853	0	0	46,853
Materials and Supplies	0	0	2,868	2,868
Inventory Held for Resale	0	0	8,900	8,900
Property Taxes Receivable	3,516,921	0	883,971	4,400,892
<i>Total Assets</i>	<u>\$8,081,760</u>	<u>\$5,099,158</u>	<u>\$2,986,339</u>	<u>\$16,167,257</u>
Liabilities				
Accounts Payable	\$54,152	\$15,464	\$7,106	\$76,722
Contracts Payable	0	3,378,504	378,411	3,756,915
Accrued Wages and Benefits	416,404	0	62,583	478,987
Interfund Payable	0	0	46,853	46,853
Intergovernmental Payable	88,070	94	8,942	97,106
<i>Total Liabilities</i>	<u>558,626</u>	<u>3,394,062</u>	<u>503,895</u>	<u>4,456,583</u>
Deferred Inflows of Resources				
Property Taxes	2,315,953	0	655,196	2,971,149
Unavailable Revenue	167,427	254,486	53,937	475,850
<i>Total Deferred Inflows of Resources</i>	<u>2,483,380</u>	<u>254,486</u>	<u>709,133</u>	<u>3,446,999</u>
Fund Balances				
Nonspendable	0	0	2,868	2,868
Restricted	0	1,450,610	1,801,541	3,252,151
Committed	143,010	0	0	143,010
Assigned	752,715	0	0	752,715
Unassigned (Deficit)	4,144,029	0	(31,098)	4,112,931
<i>Total Fund Balances</i>	<u>5,039,754</u>	<u>1,450,610</u>	<u>1,773,311</u>	<u>8,263,675</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$8,081,760</u>	<u>\$5,099,158</u>	<u>\$2,986,339</u>	<u>\$16,167,257</u>

See accompanying notes to the basic financial statements

Brown Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2016*

Total Governmental Fund Balances	\$8,263,675
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*Amounts reported for governmental activities in the
 statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,147,994
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Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:	
Delinquent Property Taxes	199,338
Intergovernmental	276,512
Total	475,850

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(359,968)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(17,688,749)
Capital Lease Payable	(24,946)
Compensated Absences	(183,689)
Total	(17,897,384)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:	
Deferred Outflows - Pension	736,963
Net Pension Liability	(7,985,184)
Deferred Inflows - Pension	(725,363)
Total	(7,973,584)

<i>Net Position of Governmental Activities</i>	<u><u>\$6,656,583</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, 2016

	General Fund	Classroom Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,527,505	\$0	\$813,431	\$4,340,936
Intergovernmental	3,454,364	3,329,750	901,414	7,685,528
Interest	17,881	50,914	2,086	70,881
Tuition and Fees	437,307	0	0	437,307
Extracurricular Activities	25,592	0	121,636	147,228
Charges for Services	0	0	59,204	59,204
Contributions and Donations	0	0	5,500	5,500
Miscellaneous	44,847	0	0	44,847
<i>Total Revenues</i>	<u>7,507,496</u>	<u>3,380,664</u>	<u>1,903,271</u>	<u>12,791,431</u>
Expenditures				
Current:				
Instruction:				
Regular	3,148,989	0	451,505	3,600,494
Special	594,383	0	67,865	662,248
Vocational	33,047	0	0	33,047
Support Services:				
Pupils	269,256	0	0	269,256
Instructional Staff	194,410	0	5,100	199,510
Board of Education	221,456	0	25,127	246,583
Administration	689,323	0	300	689,623
Fiscal	174,025	0	0	174,025
Operation and Maintenance of Plant	525,612	0	3,200	528,812
Pupil Transportation	338,657	0	0	338,657
Central	4,677	0	0	4,677
Operation of Non-Instructional Services	0	0	301,473	301,473
Extracurricular Activities	201,287	0	290,256	491,543
Capital Outlay	0	18,262,509	1,090,786	19,353,295
Debt Service:				
Principal Retirement	14,114	0	173,378	187,492
Interest and Fiscal Charges	1,438	0	787,785	789,223
Capital Appreciation Bond Accretion	0	0	16,622	16,622
<i>Total Expenditures</i>	<u>6,410,674</u>	<u>18,262,509</u>	<u>3,213,397</u>	<u>27,886,580</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,096,822</u>	<u>(14,881,845)</u>	<u>(1,310,126)</u>	<u>(15,095,149)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	4,200	0	0	4,200
Transfers In	0	0	13,749	13,749
Transfers Out	(13,749)	0	0	(13,749)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,549)</u>	<u>0</u>	<u>13,749</u>	<u>4,200</u>
<i>Net Change in Fund Balances</i>	1,087,273	(14,881,845)	(1,296,377)	(15,090,949)
<i>Fund Balances Beginning of Year</i>	<u>3,952,481</u>	<u>16,332,455</u>	<u>3,069,688</u>	<u>23,354,624</u>
<i>Fund Balances End of Year</i>	<u>\$5,039,754</u>	<u>\$1,450,610</u>	<u>\$1,773,311</u>	<u>\$8,263,675</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, 2016*

Net Change in Fund Balances - Total Governmental Funds (\$15,090,949)

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

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

Capital Asset Additions	19,346,009	
Current Year Depreciation	<u>(65,977)</u>	
Total		19,280,032

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (22,383)

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

Delinquent Property Taxes	25,612	
Intergovernmental	<u>(3,389,855)</u>	
Total		(3,364,243)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 204,114

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

Accrued Interest	1,101	
Annual Accretion	(70,136)	
Amortization of Bond Premium	20,574	
Amortization of Bond Discount	<u>(3,050)</u>	
Total		(51,511)

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. (34,869)

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows. 414,767

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (334,247)

Change in Net Position of Governmental Activities \$1,000,711

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Revised Budget		
Revenues				
Property Taxes	\$3,295,996	\$3,450,184	\$3,450,184	\$0
Intergovernmental	3,312,746	3,428,984	3,416,891	(12,093)
Interest	18,000	15,800	16,644	844
Tuition and Fees	364,886	417,846	423,325	5,479
Miscellaneous	25,700	43,193	43,813	620
<i>Total Revenues</i>	7,017,328	7,356,007	7,350,857	(5,150)
Expenditures				
Current:				
Instruction:				
Regular	3,674,800	3,845,414	3,324,515	520,899
Special	625,631	654,678	603,897	50,781
Vocational	41,101	43,009	33,195	9,814
Support Services:				
Pupils	378,883	396,474	360,780	35,694
Instructional Staff	318,223	332,998	259,989	73,009
Board of Education	308,487	322,810	238,146	84,664
Administration	724,415	758,048	691,505	66,543
Fiscal	263,772	276,018	182,496	93,522
Operation and Maintenance of Plant	780,399	816,631	584,958	231,673
Pupil Transportation	590,432	617,845	477,733	140,112
Central	4,810	5,033	4,927	106
Extracurricular Activities	198,537	207,755	192,947	14,808
<i>Total Expenditures</i>	7,909,490	8,276,713	6,955,088	1,321,625
<i>Excess of Revenues Over (Under) Expenditures</i>	(892,162)	(920,706)	395,769	1,316,475
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	4,200	4,200
Advances Out	(254)	(266)	0	266
Transfers Out	(22,680)	(23,733)	(13,749)	9,984
<i>Total Other Financing Sources (Uses)</i>	(22,934)	(23,999)	(9,549)	14,450
<i>Net Change in Fund Balance</i>	(915,096)	(944,705)	386,220	1,330,925
<i>Fund Balance Beginning of Year</i>	3,184,422	3,184,422	3,184,422	0
Prior Year Encumbrances Appropriated	238,584	238,584	238,584	0
<i>Fund Balance End of Year</i>	\$2,507,910	\$2,478,301	\$3,809,226	\$1,330,925

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private-Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,064	<u><u>\$57,754</u></u>
Liabilities		
Due to Students	<u>0</u>	<u><u>\$57,754</u></u>
Net Position		
Held in Trust for Scholarships	<u><u>\$4,064</u></u>	

See accompanying notes to the basic financial statements

Brown Local School District
Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Fund
June 30, 2016

	<u>Scholarship</u>
Additions	
Interest	\$509
Deductions	
Scholarships Awarded	<u>1,000</u>
<i>Change in Net Position</i>	(491)
<i>Net Position at Beginning of Year</i>	<u>4,555</u>
<i>Net Position at End of Year</i>	<u><u>\$4,064</u></u>

See accompanying notes to the basic financial statements

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Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 26 non-certified employees and 62 certified employees who provide services to 641 students and other community members. The School District operates one school building for students K-12 and one support building.

Reporting Entity

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

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

The School District participates in the Stark-Portage Area Computer Consortium, a jointly governed organization, and the Stark County Schools Council of Governments and the Schools of Ohio Risk Sharing Authority, both public entity risk pools. These organizations are presented in Note 14 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 9). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 15).

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

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

Cash and Cash Equivalents

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

During fiscal year 2016, investments were limited to federal home loan bank notes, federal home loan mortgage corporation notes, and federal national mortgage association notes recorded at fair value, First American Treasury obligations and repurchase agreements recorded at cost, and STAR Ohio. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the classroom facilities capital projects fund during fiscal year 2016 amounted to \$50,914 which includes \$20,445 assigned from other School District funds.

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

Inventory

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

Capital Assets

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

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 acquisition values as of the date received. The School District maintains a capitalization threshold of \$2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

Interfund Balances

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

Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2016, 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, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accrued Liabilities and Long-Term Obligations

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

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Pensions

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

Net Position

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

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

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance to cover a gap between fiscal year 2017’s estimated revenue and appropriated budget. The Board also assigned fund balance for support services for pupils.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

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

Estimates

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

Budgetary Data

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

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

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

Note 3 – Changes in Accounting Principles

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The School Districts participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The School District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Accountability and Compliance

Accountability

At June 30, 2016, the following funds had deficit fund balances:

	<u>Amount</u>
<i>Other Governmental Funds:</i>	
Title VI-B	(\$14,549)
Title I	(12,619)
Class Size Reduction	(3,817)
Miscellaneous Federal Grants	(113)

The fund deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 5 – Budgetary Basis of Accounting

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

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
4. Budgetary revenues and expenditures of the public school support and termination benefits funds are reclassified to the general fund for GAAP reporting.
5. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (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	\$1,087,273
Net Adjustment for Revenue Accruals	(138,978)
Beginning Fair Value Adjustment for Investments	12,340
Ending Fair Value Adjustment for Investments	(4,409)
Net Adjustment for Expenditure Accruals	(61,533)
Perspective Differences:	
Public School Support	(2,070)
Termination Benefits	15,676
Adjustment for Encumbrances	<u>(522,079)</u>
Budget Basis	<u><u>\$386,220</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.

Brown Local School District
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For the Fiscal Year Ended June 30, 2016

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$36,153 of the School District's bank balance of \$3,520,203 was uninsured and uncollateralized.

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Investments

Investments are reported at fair value. As of June 30, 2016, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value Per Share:				
STAR Ohio	\$202,091	48.6 Days	AAAm	N/A
Fair Value:				
Federal Home Loan Bank Notes	575,741	Less than two years	AA+	7.26
Federal Home Loan Mortgage Corporation Notes	900,876	Less than one year	AA+	11.35
Federal National Mortgage Association Notes	1,150,170	Less than one year	AA+	14.50
Cost:				
Repurchase Agreements	5,086,025	Less than 30 days	AA+	64.10
First American Treasury Obligations	<u>19,803</u>	Less than one year	N/A	0.25
Total Investments	<u><u>\$7,934,706</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2016. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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 Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk This type of risk is defined by the Governmental Accounting Standards Board as having investments of five percent or more in the securities of a single issuer. The School District's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 7 – Fund Balances

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

Fund Balances	General Fund	Classroom Facilities Capital Projects Fund	Other Governmental Funds	Total
<i>Nonspendable:</i>				
Inventory	\$0	\$0	\$2,868	\$2,868
<i>Restricted for:</i>				
Food Service Operations	0	0	66,496	66,496
Athletics	0	0	27,066	27,066
Instructional Services	0	0	2,512	2,512
School Maintenance	0	0	166,540	166,540
Debt Service Payments	0	0	714,217	714,217
Capital Improvements	0	1,450,610	824,710	2,275,320
<i>Total Restricted</i>	0	1,450,610	1,801,541	3,252,151
<i>Committed to:</i>				
Future Termination Benefits	143,010	0	0	143,010
<i>Assigned to:</i>				
Support Services	20,990	0	0	20,990
Fiscal Year 2017 Appropriations	269,307	0	0	269,307
Purchases on Order:				
Instructional Services	100,255	0	0	100,255
Support Services	362,163	0	0	362,163
<i>Total Assigned</i>	752,715	0	0	752,715
<i>Unassigned (Deficit)</i>	4,144,029	0	(31,098)	4,112,931
<i>Total Fund Balances</i>	\$5,039,754	\$1,450,610	\$1,773,311	\$8,263,675

Note 8 – Receivables

Receivables at June 30, 2016, consisted of taxes, accounts, accrued interest, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
OSFC Funding	\$254,486
Title I	32,658
Title VI-B	29,876
Food Service Reimbursement	25,213
Straight A	19,420
Miscellaneous State Grants	17,058
SERS Over-Funding	10,650
Reducing Class Size	8,923
Miscellaneous Federal Grants	7,455
SFPR Adjustment	1,627
Total Governmental Activities	\$407,366

Note 9 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value.

The School District receives property taxes from Carroll and Stark Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The amount available as an advance at June 30, 2016, was \$1,033,541 in the general fund, \$159,953 in the bond retirement debt service fund, \$24,608 in the permanent improvement capital projects fund, and \$12,303 in the school maintenance special revenue fund. The amount available as an advance at June 30, 2015, was \$956,220 in the general fund, \$204,330 in the bond retirement debt service fund, \$16,940 in the permanent improvement capital projects fund, and \$15,250 in the school maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$115,602,100	94.57%	\$116,927,140	94.56%
Public Utility Personal	6,634,640	5.43	6,729,630	5.44
Total	\$122,236,740	100.00%	\$123,656,770	100.00%
Tax Rate per \$1,000 of assessed valuation	\$50.70		\$50.80	

Note 10 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2016, 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	\$15,000,000
Educators Legal Liability	15,000,000
Automobile Liability:	
Bodily Injury & Property Damage - per occurrence	15,000,000
Medical Payments:	
Per occurrence	10,000
Aggregate	25,000
Uninsured/Underinsured Motorist:	
Per person	100,000
Per occurrence	1,000,000
Automobile Physical Damage	Actual Cash Value

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

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Workers' Compensation

The School District participates in a workers compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. CompManagement, Incorporated (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The School District has chosen to participate in the group rating program for fiscal year 2016. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Deductions	Balance 6/30/2016
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$447,649	\$0	\$0	\$447,649
Construction in Progress	3,954,593	19,335,849	0	23,290,442
Total Non-Depreciable Assets	<u>4,402,242</u>	<u>19,335,849</u>	<u>0</u>	<u>23,738,091</u>
Depreciable Assets:				
Land Improvements	178,232	0	0	178,232
Buildings and Improvements	7,139	10,160	(7,139)	10,160
Furniture and Equipment	791,370	0	(132,677)	658,693
Vehicles	764,896	0	0	764,896
Total Depreciable Assets	<u>1,741,637</u>	<u>10,160</u>	<u>(139,816)</u>	<u>1,611,981</u>
Less Accumulated Depreciation:				
Land Improvements	(76,134)	(6,200)	0	(82,334)
Buildings and Improvements	(3,886)	(3,870)	7,756	0
Furniture and Equipment	(653,922)	(19,247)	109,677	(563,492)
Vehicles	(519,592)	(36,660)	0	(556,252)
Total Accumulated Depreciation	<u>(1,253,534)</u>	<u>(65,977) *</u>	<u>117,433</u>	<u>(1,202,078)</u>
Total Depreciable Capital Assets, Net	<u>488,103</u>	<u>(55,817)</u>	<u>(22,383)</u>	<u>409,903</u>
Governmental Activities Capital Assets, Net	<u>\$4,890,345</u>	<u>\$19,280,032</u>	<u>(\$22,383)</u>	<u>\$24,147,994</u>

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$8,100
Support Services:	
Instructional Staff	2,022
Administration	1,351
Operation and Maintenance of Plant	13,719
Pupil Transportation	37,009
Operation of Non-Instructional Services	1,313
Extracurricular Activities	2,463
Total Depreciation Expense	\$65,977

Note 12 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/2015	Additions	Reductions	Principal Outstanding 6/30/2016	Amounts Due in One Year
General Obligation Bonds:					
2013A Classroom Facilities Improvement Bonds:					
Current Issue Serial Bonds	\$1,840,000	\$0	(\$10,000)	\$1,830,000	\$10,000
Term Bonds	6,330,000	0	0	6,330,000	0
Capital Appreciation Bonds	614	0	0	614	0
Accretion on Capital Appreciation Bonds	425	439	0	864	0
Unamortized Discount	(104,956)	0	3,050	(101,906)	0
Total School Improvement Bonds	8,066,083	439	(6,950)	8,059,572	10,000
2013B Classroom Facilities Improvement Bonds:					
Current Issue Serial Bonds	2,605,000	0	(150,000)	2,455,000	150,000
Term Bonds	6,290,000	0	0	6,290,000	0
Capital Appreciation Bonds	86,875	0	(13,378)	73,497	10,582
Accretion on Capital Appreciation Bonds	70,082	69,697	(16,622)	123,157	24,418
Unamortized Premium	708,097	0	(20,574)	687,523	0
Total School Improvement Bonds	9,760,054	69,697	(200,574)	9,629,177	185,000
Total General Obligation Bonds	17,826,137	70,136	(207,524)	17,688,749	195,000
Net Pension Liability:					
SERS	1,288,010	130,548	0	1,418,558	0
STRS	5,947,330	619,296	0	6,566,626	0
Total Net Pension Liability	7,235,340	749,844	0	7,985,184	0
Other Long-Term Obligations:					
Capital Leases	39,060	0	(14,114)	24,946	14,748
Compensated Absences	148,820	50,472	(15,603)	183,689	23,539
Total Other Long-Term Obligations	187,880	50,472	(29,717)	208,635	38,287
Total Governmental Activities Long-Term Liabilities	\$25,249,357	\$870,452	(\$237,241)	\$25,882,568	\$233,287

The School District pays obligations related to employee compensation from the fund benefitting from their service. See note 15 for additional information related to the net pension liability. Compensated absences will be paid from the general fund. The capital lease will be paid from the general fund. The general obligation bonds will be paid from the bond retirement fund.

Brown Local School District
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For the Fiscal Year Ended June 30, 2016

On December 17, 2013, the School District issued \$8,170,614 in general obligation bonds for the construction of a new K-12 campus. The bonds included serial, term, and capital appreciation (deep discount) bonds in the amount of \$1,840,000, \$6,330,000, and \$614, respectively. The bonds were issued for a thirty-five year period with a final maturity at December 1, 2050. The capital appreciation bonds were originally sold at a discount of \$169,386, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2030. The final maturity amount of outstanding capital appreciation bonds at June 30, 2016, is \$170,000. The accretion recorded for 2016 was \$439, for a total outstanding bond liability of \$1,478. The bonds were sold at a discount of \$109,785 and at interest rates ranging from 1.5 to 5.125 percent.

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

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

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

On December 17, 2013, the School District issued \$8,981,875 in general obligation bonds for the construction of a new K-12 campus. The bonds included serial, term, and capital appreciation (deep discount) bonds in the amount of \$2,605,000, \$6,290,000, and \$86,875, respectively. The bonds were issued for a thirty-five year period with a final maturity at December 1, 2050. The capital appreciation bonds were originally sold at a discount of \$1,193,125, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016 through 2025. The final maturity amount of outstanding capital appreciation bonds at June 30, 2016, is \$1,250,000. The accretion recorded for 2016 was \$69,697, for a total outstanding bond liability of \$196,654. The bonds were sold at a premium of \$740,673 and at interest rates ranging from 1.5 to 5.0 percent. At June 30, 2016, \$4,983,751 of the bond proceeds had been spent.

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

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

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

The School District's overall debt margin was \$0 with an unvoted debt margin of \$123,657 at June 30, 2016. The following is a summary of the School District's future annual principal and interest requirements to retire the general obligation bonds:

	General Obligation Bonds					
	Serial		Term		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$160,000	\$785,385	\$0	\$0	\$10,582	\$24,418
2018	160,000	782,985	0	0	7,174	27,826
2019	160,000	780,585	0	0	5,558	34,442
2020	10,000	778,145	0	0	17,900	172,100
2021	10,000	777,885	0	0	12,135	177,865
2022-2026	420,000	3,879,825	0	0	20,148	739,853
2027-2031	1,840,000	3,678,225	0	0	614	169,385
2032-2036	1,525,000	1,993,929	1,110,000	1,213,923	0	0
2037-2041	0	0	3,270,000	2,542,478	0	0
2042-2046	0	0	4,130,000	1,680,964	0	0
2047-2050	0	0	4,110,000	532,833	0	0
Total	\$4,285,000	\$13,456,964	\$12,620,000	\$5,970,198	\$74,111	\$1,345,889

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 13 – Leases

Capital Lease

The School District has one capital lease for copier machines. This lease meets the criteria of a capital lease. The leased equipment is reported as a group in governmental activities at a cost of \$69,677; accumulated depreciation through June 30, 2016, amounted to \$37,162 leaving a book value of \$32,515. The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2016. The agreements provide for minimum, annual lease payments as follows:

Year Ending June 30,	
2017	\$15,552
2018	10,368
Total minimum lease payments	25,920
Less: Amount representing interest	(974)
Present Value of Minimum Lease Payments	\$24,946

Operating Lease

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

Note 14 – Jointly Governed Organization and Public Entity Risk Pools

Jointly Governed Organization

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC’s annual budget and ascertain that costs are divided equally among participating schools districts. During fiscal year 2016, the School District paid \$89,753 to SPARCC for services rendered.

Public Entity Risk Pools

Stark County Schools Council of Governments (Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating member. The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program, which is a Shared Risk Pool.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Note 15 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$99,286 for fiscal year 2016. Of this amount \$3,188 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$315,481 for fiscal year 2016. Of this amount \$12,259 is reported as an intergovernmental payable.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02545000%	0.02445100%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.02486040%</u>	<u>0.02376020%</u>	
Change in Proportionate Share	<u><u>-0.00058960%</u></u>	<u><u>-0.00069080%</u></u>	
Proportionate Share of the Net Pension Liability	\$1,418,558	\$6,566,626	\$7,985,184
Pension Expense	\$77,281	\$256,966	\$334,247

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$22,841	\$299,355	\$322,196
School District contributions subsequent to the measurement date	<u>99,286</u>	<u>315,481</u>	<u>414,767</u>
Total Deferred Outflows of Resources	<u><u>\$122,127</u></u>	<u><u>\$614,836</u></u>	<u><u>\$736,963</u></u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$47,002	\$472,264	\$519,266
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>39,547</u>	<u>166,550</u>	<u>206,097</u>
Total Deferred Inflows of Resources	<u><u>\$86,549</u></u>	<u><u>\$638,814</u></u>	<u><u>\$725,363</u></u>

\$414,767 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$29,704)	(\$148,213)	(\$177,917)
2018	(29,704)	(148,213)	(177,917)
2019	(29,812)	(148,213)	(178,025)
2020	<u>25,512</u>	<u>105,180</u>	<u>130,692</u>
Total	<u><u>(\$63,708)</u></u>	<u><u>(\$339,459)</u></u>	<u><u>(\$403,167)</u></u>

Brown Local School District
Notes to the Basic Financial Statements
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Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented as follows:

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$1,967,031	\$1,418,558	\$956,700

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS’ investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$9,121,537	\$6,566,626	\$4,406,065

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2016, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 16 - Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$12,271.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$12,271, \$18,258, and \$14,052, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$25,935, respectively. The full amount has been contributed for fiscal year 2014.

Note 17 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Administrative and classified employees with greater than 240 day contracts earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and classified staff with less than 240 day contracts do not earn vacation time.

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

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through Self-Funded Plans, Incorporated. The Board pays the cost of the monthly premium, \$6.25 per certified employee and \$4.38 per classified employee.

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The School District also provides medical/surgical insurance, prescription drug, vision, and dental insurance through the Stark County Schools Council of Governments to all eligible employees. Employees have the option of choosing a traditional comprehensive plan with 80 percent co-payment of major medical expenses after deductibles or a Preferred Provider Organization (Medical Mutual or Aultcare) plan with a 90 percent co-pay of major medical expenses after deductibles. Monthly premiums for family/single are \$1,548.88/\$637.60 for medical, \$42.42/\$17.08 for vision, and \$199.72/\$80.96 for dental.

Note 18 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016, Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

Litigation

The School District is a party to legal proceedings. Management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 19 – Interfund Transactions

Interfund Balances

At June 30, 2016, the School District had the following interfund balances:

Interfund Payable	<u>Interfund Receivable</u>
	General
<i>Other Governmental Funds:</i>	
Title VI-B	\$12,381
Title I	12,050
Reducing Class Size	3,002
Miscellaneous Federal Grants	19,420
Total	\$46,853

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The interfund receivable and payables between the general fund and the other governmental funds are due to the general fund covering deficit cash balances in these funds.

Interfund Transfers

There were transfers made during the fiscal year from the general fund to the miscellaneous federal grants special revenue fund in the amount of \$13,749. These transfers from the general fund were used to move unrestricted revenues collected in the general fund to finance programs accounted for in other funds in accordance with budgetary authorizations.

Note 20 – Set-Asides

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

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

	Capital Improvements
Set-aside Balances as of June 30, 2015	\$0
Current Year Set-aside Requirement	116,190
Current Year Offsets	(131,723)
Qualifying Disbursements	(17,576)
Set-aside Balances as of June 30, 2016	(\$33,109)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0

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

Note 21 – Encumbrances

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

General Fund	\$522,079
Classroom Facilities	4,844,670
Other Governmental Funds	412,068
Total	\$5,778,817

Brown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 22 – Subsequent Events

During the start of fiscal year 2017, the Ohio Schools Facilities Commission project for the new school building was functionally completed. This allowed the building to be open for use by teachers and students while the project is being fully completed.

On October 3, 2016, the School District issued \$8,295,000 of Classroom Facilities Improvement Refunding Serial, Term, and Capital Appreciation Bonds to refund the 2013A Classroom Facilities Improvement Bonds. The new bonds had varying interest rates with a maturity date of January 15, 2050.

**Required Supplementary
Information**

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02486040%	0.02545000%	0.02545000%
School District's Proportionate Share of the Net Pension Liability	\$1,418,558	\$1,288,010	\$1,513,430
School District's Covered Payroll	\$615,410	\$876,664	\$808,130
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	230.51%	146.92%	187.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02376020%	0.02445100%	0.02445100%
School District's Proportionate Share of the Net Pension Liability	\$6,566,626	\$5,947,330	\$7,084,420
School District's Covered Payroll	\$2,437,379	\$2,453,671	\$2,879,538
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	269.41%	242.38%	246.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$99,286	\$81,111	\$121,506	\$111,845
Contributions in Relation to the Contractually Required Contribution	<u>(99,286)</u>	<u>(81,111)</u>	<u>(121,506)</u>	<u>(111,845)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$709,186	\$615,407	\$876,664	\$808,130
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
\$112,460	\$100,681	\$99,710	\$66,280	\$64,838	\$61,899
(112,460)	(100,681)	(99,710)	(66,280)	(64,838)	(61,899)
\$0	\$0	\$0	\$0	\$0	\$0
\$836,134	\$800,965	\$736,408	\$673,575	\$660,262	\$579,579
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$315,481	\$341,233	\$318,977	\$374,340
Contributions in Relation to the Contractually Required Contribution	<u>(315,481)</u>	<u>(341,233)</u>	<u>(318,977)</u>	<u>(374,340)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,253,436	\$2,437,379	\$2,453,671	\$2,879,538
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$393,729	\$397,409	\$386,226	\$407,157	\$397,939	\$377,574
(393,729)	(397,409)	(386,226)	(407,157)	(397,939)	(377,574)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,028,685	\$3,056,992	\$2,970,969	\$3,131,977	\$3,061,069	\$2,904,415
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

Brown Local School District
Carroll County
3242 Coral Road NW
Malvern, Ohio 44644

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brown Local School District, Carroll County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

April 25, 2017

**BROWN LOCAL SCHOOL DISTRICT
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016**

Financial Reporting

<i>Finding Number</i>	2016-001
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MATERIAL WEAKNESS

Financial reporting is the responsibility of the District and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The following errors were noted in the District's financial statements for 2016:

- The District understated Accrued Wages and Benefits in the General Fund and Remaining Fund Information opinion units by omitting wages and benefits earned but not yet paid for, in most cases, for three out of four payroll periods totaling \$327,140 and \$41,512, respectively. These adjustments were made to the financial statements.
- The District improperly allocated \$2,867,390 of expenditures remaining in the Capital Outlay account to various expense accounts of the District in the Statement of Activities, thereby overstating some of those expenses rather than allocating to the Non-Depreciable Capital Assets (construction in progress). This adjustment was made to the financial statements.

Management should review the draft GAAP journal entries and financial statements to help ensure they are supported by sufficient and accurate documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Official's Response: The District has reviewed and agrees with the adjustments made to the financial statements per the auditor's recommendations. Moving forward the District will be working more closely with a new GAAP conversion team to prevent any such errors in the future.

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BROWN LOCAL SCHOOL DISTRICT

CARROLL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 11, 2017**