

Brookville Local School District
Montgomery County, Ohio
Basic Financial Statements

Single Audit
July 1, 2006 Through June 30, 2007
Fiscal Year Audited Under GAGAS: 2007



BALESTRA, HARR & SCHERER
CERTIFIED PUBLIC ACCOUNTANTS
528 S. WEST STREET, P.O. Box 687
PIKETON, OHIO 45661

TELEPHONE (740) 289-4131
FAX (740) 289-3639
www.bhscpas.com



Mary Taylor, CPA
Auditor of State

Board of Education
Brookville Local School District
325 Simmons Street
Brookville, Ohio 45309

We have reviewed the *Independent Auditor's Report* of the Brookville Local School District, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 11, 2008

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Brookville Local School District
Montgomery County, Ohio
Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Brookville Local School District
325 Simmons Street
Brookville, Ohio 45309

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookville Local School District (the District), Montgomery County, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

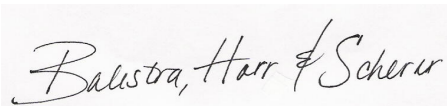
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2007

**BROOKVILLE LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2007
(Unaudited)**

The discussion and analysis of Brookville Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets decreased \$875,583.
- General revenues accounted for \$12,730,001 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,227,019 or 15% of total revenues of \$14,957,020.
- The District had \$15,832,603 in expenses related to governmental activities; \$2,227,019 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,730,001 were also used to provide for these programs.

OVERVIEW OF THE 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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. The General and Debt Service Funds are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Government-wide Financial Statements answer this question. These statements include *all assets and liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District presents:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the 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 in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

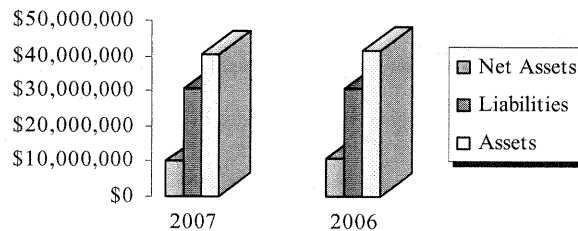
Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2007 compared to 2006:

	2007	2006 Restated
Assets		
Current Assets	\$12,203,121	\$12,081,816
Capital Assets	28,286,830	29,423,530
Total Assets	40,489,951	41,505,346
Liabilities		
Long-Term Liabilities	23,469,125	23,589,846
Other Liabilities	7,213,325	7,232,416
Total Liabilities	30,682,450	30,822,262
Net Assets		
Invested in Capital		
Assets Net of Debt	5,584,894	6,542,133
Restricted	3,016,511	2,109,205
Unrestricted	1,206,096	2,031,746
Total Net Assets	\$9,807,501	\$10,683,084



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$9,807,501.

At year-end, capital assets represented 70% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2007, was \$5,584,894. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$3,016,511, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets decreased \$1,015,395, due largely to current depreciation expense. Long-term liabilities decreased mainly due to the District continuing to make payments on their long-term debt obligations.

Table 2 shows the change in net assets for fiscal years 2007 and 2006.

Table 2
Changes in Net Assets

	Governmental Activities	
	2007	2006 Restated
Revenues		
Program Revenues:		
Charges for Services	\$1,011,114	\$1,069,358
Operating Grants	1,186,826	802,144
Capital Grants	29,079	0
General Revenue:		
Property Taxes	6,480,215	6,422,003
Grants and Entitlements	5,794,325	5,890,051
Other	455,461	422,951
Total Revenues	<u>14,957,020</u>	<u>14,606,507</u>
Program Expenses:		
Instruction	7,908,091	7,627,436
Support Services:		
Pupil and Instructional Staff	1,916,901	1,809,310
General and School Administrative, and Fiscal	1,745,759	1,661,180
Operations and Maintenance	1,077,824	1,286,734
Pupil Transportation	723,147	773,989
Central	28,260	34,905
Operation of Non-Instructional Services	859,400	772,889
Extracurricular Activities	569,742	549,212
Interest and Fiscal Charges	1,003,479	1,038,968
Total Expenses	<u>15,832,603</u>	<u>15,554,623</u>
Change in Net Assets	(875,583)	(948,116)
Beginning Net Assets, Restated	<u>10,683,084</u>	<u>11,631,200</u>
Ending Net Assets	<u>\$9,807,501</u>	<u>\$10,683,084</u>

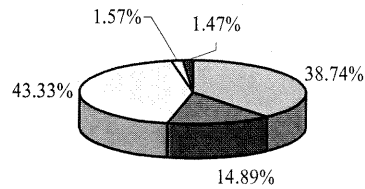
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes, and grants and entitlements comprised 82% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 43.33% of revenue for governmental activities for the District in fiscal year 2007.

Revenue Sources	2007	Percent of Total
General Grants	\$5,794,325	38.74%
Program Revenues	2,227,019	14.89%
General Tax Revenues	6,480,215	43.33%
Investment Earnings	235,519	1.57%
Other Revenues	219,942	1.47%
	<u>\$14,957,020</u>	<u>100.00%</u>



Instruction comprises 50% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses, including interest expense were 15%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Program revenues increased due to additional operating grants. Program expenses increased due to inflationary cost increases.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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 entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction	\$7,908,091	\$7,627,436	(\$7,148,573)	(\$7,224,036)
Support Services:				
Pupil and Instructional Staff	1,916,901	1,809,310	(1,544,768)	(1,468,019)
General and School Administrative, and Fiscal	1,745,759	1,661,180	(1,677,086)	(1,655,806)
Operations and Maintenance	1,077,824	1,286,734	(1,068,026)	(1,277,211)
Pupil Transportation	723,147	773,989	(623,735)	(706,784)
Central	28,260	34,905	(14,209)	(20,526)
Operation of Non-Instructional Services	859,400	772,889	(221,866)	(130,331)
Extracurricular Activities	569,742	549,212	(303,842)	(161,440)
Interest and Fiscal Charges	1,003,479	1,038,968	(1,003,479)	(1,038,968)
Total Expenses	<u>\$15,832,603</u>	<u>\$15,554,623</u>	<u>(\$13,605,584)</u>	<u>(\$13,683,121)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general fund comprised \$7,701,248 (64%) and the debt service fund comprised \$2,737,404 (23%) of the total \$12,081,752 governmental funds assets.

General Fund: Fund balance at June 30, 2007 was \$1,948,238, a decrease in fund balance of \$492,714 from 2006. The decrease in fund balance was mainly due to transfers of money out of the general fund to other governmental funds in 2007.

Debt Service Fund: Fund balance at June 30, 2007 was \$1,474,797, including \$1,418,020 of unreserved balance. The primary reasons for the increase in fund balance was an increase in tax revenues in 2007 compared to 2006.

General Fund Budgeting Highlights

The 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 2007, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$10,447,440, compared to final budget estimates of \$11,479,561. The difference between the original budget basis and final budget was \$1,032,121, which was mostly due to increases in taxes and intergovernmental revenues.

The District's ending unobligated cash balance was \$2,955,301.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$28,286,830 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2007 balances compared to fiscal 2006:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2007	2006 Restated
Land	\$935,308	\$935,308
Buildings and Improvements	25,187,031	25,958,930
Equipment	2,164,491	2,529,292
Total Net Capital Assets	<u>\$28,286,830</u>	<u>\$29,423,530</u>

See the notes to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2007, the District had \$22,701,936 in debt outstanding, \$525,000 due within one year. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2007	2006
General Obligation Bonds:		
2003 Building Construction	\$3,924,976	\$22,841,397
2007 School Improvement Refunding Bonds:		
Current Interest	17,830,000	0
Capital Appreciation	718,442	0
Premium on Refunding Bonds	943,364	0
Deferred Amount on Refunding Bonds	(714,846)	0
Total Bonds	<u>\$22,701,936</u>	<u>\$22,841,397</u>

See the notes to the basic financial statements for further details on the District's long-term obligations.

For the Future

A challenge facing the District is the future of state funds. On December 11, 2002, the Ohio Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Huffman, Treasurer at Brookville Local School District, 325 Simmons Street, Brookville, Ohio 45309. Or email at bv-treas@mdeca.org.

Brookville Local School District
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$6,078,979
Restricted Cash and Investments	185,653
Receivables:	
Taxes	5,678,453
Accounts	23,386
Intergovernmental	40,329
Deferred Bond Issuance Costs	121,369
Inventory	74,952
Nondepreciable Capital Assets	935,308
Depreciable Capital Assets, Net	<u>27,351,522</u>
 Total Assets	 <u>40,489,951</u>
 Liabilities:	
Accounts Payable	203,189
Accrued Wages and Benefits	1,640,105
Accrued Interest Payable	71,911
Unearned Revenue	5,298,120
Long-Term Liabilities:	
Due Within One Year	634,408
Due In More Than One Year	<u>22,834,717</u>
 Total Liabilities	 <u>30,682,450</u>
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,584,894
Restricted for:	
Special Revenue	310,772
Debt Service	1,524,255
Capital Projects	995,831
Set-Aside	185,653
Unrestricted	<u>1,206,096</u>
 Total Net Assets	 <u><u>\$9,807,501</u></u>

See accompanying notes to the basic financial statements.

Brookville Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction:					
Regular	\$6,644,508	\$123,306	\$81,791	\$20,168	(\$6,419,243)
Special	1,040,976	23,110	499,127	0	(518,739)
Vocational	80,786	0	12,016	0	(68,770)
Other	141,821	0	0	0	(141,821)
Support Services:					
Pupil	926,212	0	113,069	0	(813,143)
Instructional Staff	990,689	17,592	241,472	0	(731,625)
General Administration	24,262	0	0	0	(24,262)
School Administration	1,372,106	61,603	7,070	0	(1,303,433)
Fiscal	349,391	0	0	0	(349,391)
Operations and Maintenance	1,077,824	9,798	0	0	(1,068,026)
Pupil Transportation	723,147	64,174	26,327	8,911	(623,735)
Central	28,260	0	14,051	0	(14,209)
Operation of Non-Instructional Services	859,400	460,151	177,383	0	(221,866)
Extracurricular Activities	569,742	251,380	14,520	0	(303,842)
Interest and Fiscal Charges	1,003,479	0	0	0	(1,003,479)
Total Governmental Activities	\$15,832,603	\$1,011,114	\$1,186,826	29,079	(13,605,584)

General Revenues:

Property Taxes Levied for:

General Purposes	5,057,906
Debt Service Purposes	1,377,167
Capital Projects Purposes	45,142
Grants and Entitlements not Restricted	5,794,325
Unrestricted Contributions	410
Investment Earnings	235,519
Other Revenues	219,532

Total General Revenues 12,730,001

Change in Net Assets (875,583)

Net Assets Beginning of Year, Restated 10,683,084

Net Assets End of Year \$9,807,501

See accompanying notes to the basic financial statements.

Brookville Local School District
Balance Sheet
Governmental Funds
June 30, 2007

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,115,352	\$1,418,020	\$1,545,607	\$6,078,979
Restricted Cash and Investments	185,653	0	0	185,653
Receivables:				
Taxes	4,322,669	1,319,384	36,400	5,678,453
Accounts	11,855	0	11,531	23,386
Intergovernmental	0	0	40,329	40,329
Inventory	65,719	0	9,233	74,952
Total Assets	7,701,248	2,737,404	1,643,100	12,081,752
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	135,348	0	67,841	203,189
Accrued Wages and Benefits	1,459,588	0	180,517	1,640,105
Compensated Absences	15,949	0	68,648	84,597
Deferred Revenue	4,142,125	1,262,607	35,078	5,439,810
Total Liabilities	5,753,010	1,262,607	352,084	7,367,701
Fund Balances:				
Reserved for Encumbrances	209,774	0	215,141	424,915
Reserved for Inventory	65,719	0	9,233	74,952
Reserved for Property Tax Advances	180,544	56,777	1,322	238,643
Reserved for Set-Aside	185,653	0	0	185,653
Unreserved, Undesignated, Reported in:				
General Fund	1,306,548	0	0	1,306,548
Special Revenue Funds	0	0	240,467	240,467
Debt Service Funds	0	1,418,020	0	1,418,020
Capital Projects Funds	0	0	824,853	824,853
Total Fund Balances	1,948,238	1,474,797	1,291,016	4,714,051
Total Liabilities and Fund Balances	\$7,701,248	\$2,737,404	\$1,643,100	\$12,081,752

See accompanying notes to the basic financial statements.

Brookville Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2007

Total Governmental Fund Balance		\$4,714,051
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,286,830
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	<u>141,690</u>	141,690
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(71,911)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(682,592)</u>	(682,592)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		121,369
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(22,701,936)</u>
Net Assets of Governmental Activities		<u><u>\$9,807,501</u></u>

See accompanying notes to the basic financial statements.

Brookville Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$5,096,269	\$1,389,290	\$44,011	\$6,529,570
Tuition and Fees	200,122	0	39,039	239,161
Investment Earnings	0	0	235,520	235,520
Intergovernmental	6,033,705	152,972	799,035	6,985,712
Extracurricular Activities	36,683	0	265,323	302,006
Charges for Services	0	0	460,151	460,151
Other Revenues	118,430	0	133,705	252,135
Total Revenues	11,485,209	1,542,262	1,976,784	15,004,255
Expenditures:				
Current:				
Instruction:				
Regular	5,515,107	0	199,635	5,714,742
Special	869,132	0	171,060	1,040,192
Vocational	80,080	0	0	80,080
Other	141,821	0	0	141,821
Support Services:				
Pupil	786,130	0	136,278	922,408
Instructional Staff	590,693	0	275,511	866,204
General Administration	24,262	0	0	24,262
School Administration	1,259,562	0	101,024	1,360,586
Fiscal	286,505	15,227	45,408	347,140
Operations and Maintenance	1,068,340	0	0	1,068,340
Pupil Transportation	662,324	0	6,534	668,858
Central	18,556	0	9,704	28,260
Operation of Non-Instructional Services	17,845	0	809,176	827,021
Extracurricular Activities	336,387	0	215,989	552,376
Capital Outlay	5,214	0	96,917	102,131
Debt Service:				
Principal Retirement	0	300,000	0	300,000
Interest and Fiscal Charges	0	915,576	0	915,576
Total Expenditures	11,661,958	1,230,803	2,067,236	14,959,997
Excess of Revenues Over (Under) Expenditures	(176,749)	311,459	(90,452)	44,258
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	2,051	0	68	2,119
Proceeds of Long-Term Capital-Related Debt	0	18,504,986	0	18,504,986
Premium and Accrued Interest on Bonds and Notes	0	981,099	0	981,099
Refunded Bond Escrow Agent	0	(19,359,861)	0	(19,359,861)
Bond Issuance Cost	0	(126,224)	0	(126,224)
Transfers In	0	0	326,114	326,114
Transfers (Out)	(318,016)	0	(8,098)	(326,114)
Total Other Financing Sources (Uses)	(315,965)	0	318,084	2,119
Net Change in Fund Balance	(492,714)	311,459	227,632	46,377
Fund Balance Beginning of Year, Restated	2,440,952	1,163,338	1,063,384	4,667,674
Fund Balance End of Year	\$1,948,238	\$1,474,797	\$1,291,016	\$4,714,051

See accompanying notes to the basic financial statements.

Brookville Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balance - Total Governmental Funds \$46,377

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

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	20,402	
Depreciation Expense	<u>(1,157,102)</u>	(1,136,700)

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

Delinquent Property Taxes	<u>(49,354)</u>	(49,354)
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In the statement of activities, certain costs and proceeds associated with
 long-term debt obligations issued during the year are accrued and
 amortized over the life of the debt obligation. In governmental funds
 these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	126,224	
Premium on Bonds Issued	(981,099)	
Deferred Amount on Refunding	<u>854,875</u>	0

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 300,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. (48,733)

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.

Compensated Absences	51,997	
Amortization of Bond Issuance Cost	(4,855)	
Amortization of Bond Premium	37,735	
Amortization of Deferred Charge on Refunding	(28,594)	
Bond Accretion	<u>(43,456)</u>	<u>12,827</u>

Change in Net Assets of Governmental Activities (\$875,583)

See accompanying notes to the basic financial statements.

Brookville Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$4,645,161	\$5,104,065	\$5,104,065	\$0
Tuition and Fees	186,572	205,004	205,004	0
Intergovernmental	5,491,218	6,033,705	6,033,705	0
Extracurricular Activities	25,390	27,898	27,898	0
Other Revenues	99,099	108,889	108,889	0
Total Revenues	10,447,440	11,479,561	11,479,561	0
Expenditures:				
Current:				
Instruction:				
Regular	5,548,603	5,479,984	5,479,984	0
Special	744,684	735,475	735,475	0
Vocational	67,891	67,051	67,051	0
Other	144,609	142,821	142,821	0
Support Services:				
Pupil	773,475	763,909	763,909	0
Instructional Staff	641,208	633,278	633,278	0
General Administration	25,049	24,739	24,739	0
School Administration	1,292,659	1,276,673	1,276,673	0
Fiscal	311,410	307,559	307,559	0
Operations and Maintenance	1,238,100	1,222,788	1,222,788	0
Pupil Transportation	728,654	719,643	719,643	0
Central	24,053	23,756	23,756	0
Extracurricular Activities	344,875	340,610	340,610	0
Capital Outlay	6,612	6,530	6,530	0
Total Expenditures	11,891,882	11,744,816	11,744,816	0
Excess of Revenues Over (Under) Expenditures	(1,444,442)	(265,255)	(265,255)	0
Other financing sources (uses):				
Proceeds from Sale of Assets	1,867	2,051	2,051	0
Transfers In	182,018	200,000	200,000	0
Transfers (Out)	(524,501)	(518,015)	(518,015)	0
Total Other Financing Sources (Uses)	(340,616)	(315,964)	(315,964)	0
Net Change in Fund Balance	(1,785,058)	(581,219)	(581,219)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,536,520	3,536,520	3,536,520	0
Fund Balance End of Year	\$1,751,462	\$2,955,301	\$2,955,301	\$0

See accompanying notes to the basic financial statements.

Brookville Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	\$35,529	\$50,305
Receivables:		
Accounts	55	40
Total Assets	<u>35,584</u>	<u>\$50,345</u>
Liabilities:		
Accounts Payable	0	16
Other Liabilities	<u>0</u>	<u>50,329</u>
Total Liabilities	<u>0</u>	<u>\$50,345</u>
Net Assets:		
Held in Trust	<u>35,584</u>	
Total Net Assets	<u>\$35,584</u>	

See accompanying notes to the basic financial statements.

Brookville Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust Fund
Additions:	
Investment Earnings	\$775
Other	7,457
Total Additions	<u>8,232</u>
Deductions:	
Scholarships	<u>27,220</u>
Total Deductions	<u>27,220</u>
Change in Net Assets	(18,988)
Net Assets Beginning of Year	<u>54,572</u>
Net Assets End of Year	<u><u>\$35,584</u></u>

See accompanying notes to the basic financial statements.

BROOKVILLE LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Brookville Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 76 noncertified and approximately 108 certified teaching personnel and administrative employees providing education to 1,578 students.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing board and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Metropolitan Dayton Educational Cooperative Association, a jointly governed organization which provides computer service to thirty (30) school districts. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented later in the notes to the basic financial statements.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

Debt Service Fund - This fund is used for the accumulation of resources for the payment, of general long-term debt principal and interest.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary 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 District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own program. The District's two trust funds are private-purpose trust that account for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation. This fund accounts for student-managed activities.

C. Basis of Presentation-Financial Statements

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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 District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Private-purpose trust funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, and student fees.

Current property taxes measurable at June 30, 2007, and which are not intended to finance fiscal year 2007 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2007 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

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.

Nonexchange transactions, in which the 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund are required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as final budget on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2007.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications. The amounts reported on the budgetary statements as final budget reflect the final appropriations passed during fiscal year 2007.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of 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

	<u>General</u>
GAAP Basis	(\$492,714)
Net Adjustment for Revenue Accruals	194,352
Net Adjustment for Expenditure Accruals	57,174
Encumbrances	<u>(340,031)</u>
Budget Basis	<u>(\$581,219)</u>

F. Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$0.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of food held for resale and consumable supplies.

H. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

1. Property, Plant and Equipment - Governmental Activities

These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$500.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined at June 30, 1993 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Buildings and Improvements	20 - 40
Equipment	8 - 15

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds and Refunding Bonds	Debt Service Fund
Compensated Absences	General Fund, Food Services Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 294 days for certified and 303 days for classified. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 65 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At year end, net assets restricted by enabling legislation was \$0 in the Statement of Net Assets.

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

L. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

M. Interfund Activity

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

N. Restricted Assets

Restricted assets in the general fund represent money set aside to establish a reserve for textbook purchases. This reserve is required by State statute. A fund balance reserve has also been established for this amount.

O. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for set-asides, property taxes, inventory and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

P. 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.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during the year ended June 30, 2007.

NOTE 2 - RESTATEMENT OF NET ASSETS / FUND BALANCE

A prior period adjustment was required to restate capital assets due to the reappraisal of capital assets, and to reclass the food service fund from the Business-Type to Governmental Activities. This restatement had the following effect on net asset/fund balance at June 30, 2006:

	Governmental Activities	Other Governmental Funds	Business-Type Activities Food Service
Net assets/fund balance as previously reported, June 30, 2006	\$9,388,283	\$987,728	\$94,522
Restatement for capital assets	1,219,145	0	(18,866)
Restatement for food service reclass	75,656	75,656	(75,656)
Net assets/fund balance restated, June 30, 2006	<u>\$10,683,084</u>	<u>\$1,063,384</u>	<u>\$0</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2007 of \$8,526 in the IDEA Part B Fund, \$1,552 in the Title I Fund, \$704 the Idea Early Education Fund and \$4,181 in the Title II-A Fund (special revenue funds), arose from the recognition of expenditures on the modified accrual basis of accounting. The General fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur. These deficits do not exist on a cash basis.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current five year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement 40, "Deposit and Investment Risk Disclosures".

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2007, \$4,909,984 of the District's bank balance of \$5,129,447 was covered by pledged or pooled securities held by the District's financial institutions. The remaining balance of \$219,463 was FDIC-insured.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2007, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Federal National Mortgage Association	\$993,115	0.82
Money Market Accounts	<u>319,233</u>	0.00
Total Fair Value	<u>\$1,312,348</u>	
Portfolio Weighted Average Maturity		0.47

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in Federal Agencies and in the Money Market Funds were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service.

Concentration of credit risk – The District places no limit on the amount the District may invest in one issuer. Of the District’s total investments, 76% are FNMA and 24% is in money market accounts.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District. The District’s investment policy does not address this risk for investments.

NOTE 5 - TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years with a statistical update every third year. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Brookville Local School District. The County Auditor periodically remits to the District its portion of the taxes collected.

The assessed values, upon which the fiscal year 2007 receipts were based, were as follows:

<u>2006 Second Half Collections</u>		<u>2007 First Half Collections</u>	
Agricultural/Residential and Other Real Estate	\$170,920,260	Agricultural/Residential and Other Real Estate	\$175,553,200
Public Utility Personal	5,107,050	Public Utility Personal	5,189,980
Tangible Personal Property	9,521,605	Tangible Personal Property	6,415,931
Total Assessed Value	<u>\$185,548,915</u>	Total Assessed Value	<u>\$187,159,111</u>
Tax Rate per \$1,000 of assessed valuation	\$65.06		\$65.06

NOTE 6 – RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts receivable and intergovernmental receivables.

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2007:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$935,308	\$0	\$0	\$935,308
<i>Capital Assets, being depreciated:</i>				
Building Improvements	29,460,818	0	0	29,460,818
Equipment	4,701,555	20,402	93,032	4,628,925
Totals at Historical Cost	<u>\$35,097,681</u>	<u>\$20,402</u>	<u>\$93,032</u>	<u>\$35,025,051</u>
Less Accumulated Depreciation:				
Building Improvements	3,501,888	771,899	0	4,273,787
Equipment	2,172,263	385,203	(93,032)	2,464,434
Total Accumulated Depreciation	<u>5,674,151</u>	<u>1,157,102</u>	<u>(93,032)</u>	<u>6,738,221</u>
Governmental Activities Capital Assets, Net	<u>\$29,423,530</u>	<u>(\$1,136,700)</u>	<u>\$0</u>	<u>\$28,286,830</u>

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$866,995
Special	1,126
Vocational	706
Support Services:	
Pupil	7,348
Instructional Staff	128,099
School Administration	14,529
Fiscal	3,592
Operations and Maintenance	25,691
Pupil Transportation	57,026
Operation of Non-Instructional Services	33,012
Extracurricular Activities	18,978
Total Depreciation Expense	<u>\$1,157,102</u>

NOTE 8 - PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$304,080, \$285,588, and \$275,808, respectively; 49% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005.

STATE TEACHERS RETIREMENT SYSTEM

The District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2007, 2006, and 2005 were \$838,596, \$850,560, and \$853,464, respectively; 83.5% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005.

NOTE 9 - POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$59,899 during the 2007 fiscal year. As of June 30, 2006 (the latest information available), eligible benefit recipients totaled 119,184. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based upon years of service, Medicare eligibility and retirement status.

For 2007 fiscal year, employer contributions to fund health care benefits were 3.32% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established at \$35,800. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. For the District, contributions used to fund post employment benefits equaled \$29,408 during the 2007 fiscal year. The number of participants currently receiving health care benefits is approximately 59,492. For the fiscal year ended June 30, 2006, net health care costs paid by SERS were \$158,751,207.

NOTE 10 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the bonds and compensated absences of the District for the year ended June 30, 2007 is as follows:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
2003 Building Construction	1.25-5.52%	\$22,841,397	\$0	(\$18,916,421)	\$3,924,976	\$355,000
2007 Refunding:						
Current Interest Bonds	3.50-4.13%	0	17,830,000	0	17,830,000	170,000
Capital Appreciation Bonds		0	718,442	0	718,442	0
Premium		0	981,099	(37,735)	943,364	0
Deferred Amount		0	(743,440)	28,594	(714,846)	0
Subtotal Bonds		22,841,397	18,786,101	(18,925,562)	22,701,936	525,000
Compensated Absences		748,449	44,780	(26,040)	767,189	109,408
Total Governmental Activities Long-Term Liabilities		<u>23,589,846</u>	<u>18,830,881</u>	<u>(18,951,602)</u>	<u>23,469,125</u>	<u>634,408</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the general fund and special revenue funds.

A. Refunded Bonds

In December 2006, the District advance refunded \$18,504,986 in bonds that were originally for improvements, renovations, and additions to school facilities. The \$981,099 premium on the issuance of these refunding bonds will be amortized over the remaining life of the debt which has a final maturity date of December 1, 2031. The debt will be retired from the debt service fund.

The refunding bonds are not subject to optional redemption prior to maturity. Of the \$18,504,986 issued, \$17,830,000 represents serial bonds and \$674,986 is capital appreciation bonds. The serial bonds mature at varying amounts through December 1, 2031.

The capital appreciation bonds will mature in fiscal years 2015, 2016, 2017, 2018, and 2019. The final maturity amount of the bonds is \$2,780,000.

The deferred amount on the refunding is \$854,875. This represents the difference between the payments to refunding bond escrow agent of \$19,359,861 and the issuance of refunding bonds of \$18,504,986.

The District advance refunded a portion of the 2003 Bonds to reduce its total debt service payments by \$1,143,171 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$710,296.

B. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2007 follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$525,000	\$854,919	\$1,379,919	\$0	\$0	\$0
2009	505,000	838,903	1,343,903	0	0	0
2010	570,000	821,308	1,391,308	0	0	0
2011	590,000	799,914	1,389,914	0	0	0
2012	660,000	776,437	1,436,437	0	0	0
2013-2017	2,004,308	3,436,048	5,440,356	488,024	1,301,976	1,790,000
2018-2022	3,250,668	3,952,901	7,203,569	186,962	803,038	990,000
2023-2027	6,260,000	2,329,310	8,589,310	0	0	0
2028-2032	7,390,000	828,225	8,218,225	0	0	0
Total	\$21,754,976	\$14,637,965	\$36,392,941	\$674,986	\$2,105,014	\$2,780,000

NOTE 11 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2007, the reserve activity (cash-basis) was as follows:

	Textbooks	Capital Acquisition Reserve
Set-aside Reserve Balance as of June 30, 2006	\$108,765	\$0
Current Year Set-aside Requirement	227,260	227,260
Qualified Disbursements	(150,372)	(98,070)
Current Year Offsets	0	(129,190)
Total	<u>\$185,653</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2007	<u>\$185,653</u>	<u>\$0</u>
Carry Forward to FY2008	\$185,653	\$0

NOTE 12 – INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2007, consisted of the following transfers in and transfers out:

	Transfers	
	In	Out
General	\$0	\$318,016
Debt Service	0	0
Other Governmental Funds	326,114	8,098
Total	<u>\$326,114</u>	<u>\$326,114</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

A transfer was made from the nonmajor building capital projects fund to the nonmajor permanent improvement capital projects fund to help fund capital outlay expenditures.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2007 the District contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Marsh Insurance Company	School Board Liability	\$5,000
Marsh Insurance Company	Excess Liability	\$1,000
Marsh Insurance Company	Excess Property	\$1,000
Marsh Insurance Company	Boiler & Machinery	\$2,500
Marsh Insurance Company	Auto Liability	\$1,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 14 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (WCGRP) - The District participates in the WCGRP, an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. The Plan's business and affairs are conducted by an executive committee elected by members of the cooperative.

Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties i.e. Auglaize, Butler, Champaign, Clark, Clifton, Darke, Fayette, Green, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Green, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in twelve counties. The Montgomery County Board of Education acts as fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district by the fiscal agent. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Metropolitan Dayton Educational Cooperative Association - The District is a member of the Metropolitan Dayton Educational Cooperative Association (MDECA). MDECA is an association of public school districts in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Board of MDECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

Brookville Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	05PU	10.553	\$10,691	\$0	\$10,691	\$0
National School Lunch Program	LLP4	10.555	119,744	0	119,744	0
Total Nutrition Cluster			130,435	0	130,435	0
Food Donation	NA	10.550	0	60,248	0	60,248
Total United States Department of Agriculture			130,435	60,248	130,435	60,248
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education-Grants to States	6BSF	84.027	362,372	0	352,837	0
Special Education-Preschool Grants	PGS1	84.173	15,821	0	15,232	0
Total Special Education Cluster			378,193	0	368,069	0
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	122,381	0	127,917	0
Safe and Drug Free Schools and Communities - State Grants	DRS1	84.186	4,607	0	4,607	0
State Grants for Innovative Programs	C2S1	84.298	2,170	0	2,170	0
Education Technology State Grants	TJS1	84.318	1,333	0	1,333	0
Improving Teacher Quality State Grants	TRS1	84.367	42,013	0	44,568	0
Total United States Department of Education			550,697	0	548,664	0
Total Federal Financial Assistance			\$681,132	\$60,248	\$679,099	\$60,248

NA - Pass Through Entity Number is Not Available

See accompanying notes to the schedule of federal awards expenditures.

Brookville Local School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures includes the federal grant activity of the Brookville Local School District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the schedule of the fair market value of commodities received.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Members of the Governing Board
Brookville Local School District
325 Simmons Street
Brookville, Ohio 45309

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookville Local School District, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

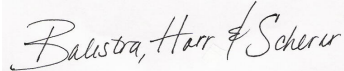
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2007

BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Governing Board
Brookville Local School District
325 Simmons Street
Brookville, Ohio 45309

Compliance

We have audited the compliance of the Brookville Local School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

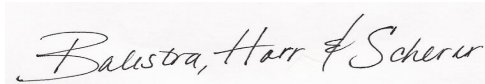
Internal Control Over Compliance (Continued)

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 SECTION .505**

**BROOKVILLE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA# 84.027 & 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 SECTION .505

BROOKVILLE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2007

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



Mary Taylor, CPA
Auditor of State

BROOKVILLE LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2008**