

**BERNE UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

FRIEDA CYRUS, TREASURER



Dave Yost • Auditor of State

Board of Education
Berne Union Local School District
506 North Main Street
Sugar Grove, Ohio 43155

We have reviewed the *Independent Auditor's Report* of the Berne Union Local School District, Fairfield County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Berne Union Local School District is responsible for compliance with these laws and regulations.

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Dave Yost
Auditor of State

March 2, 2011

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**BERNE UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Berne Union Local School District
506 North Main Street
Sugar Grove, Ohio 43155

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berne Union Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Berne Union Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Berne Union Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berne Union Local School District, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010 on our consideration of the Berne Union Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Auditor's Report
Berne Union Local School District
Page Two

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

We conducted our audit to opine on the financial statements that collectively comprise the Berne Union Local School District's basic financial statements. The schedule of receipts and expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. We subjected the schedule of receipts and expenditures of federal awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Julian & Grube, Inc.
December 17, 2010

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

The discussion and analysis of the Berne Union Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- ▶ The assets of Berne Union Local School District exceeded its liabilities at June 30, 2010 by \$8,143,566. This balance was comprised of a \$6,133,977 balance in capital assets net of related debt and net asset amounts restricted for specific purposes and a balance of \$2,009,589 in unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$6,821, which represents a 0.08 percent increase from 2009. Net assets of the business-type activities increased \$7,166 which represents a 100 percent increase from 2009.
- ▶ General revenues accounted for \$5,417,240 or 52.72 percent of all revenues of governmental activities. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,858,767 or 47.28 percent of total revenues of \$10,276,007 for the governmental activities.
- ▶ The District had \$10,269,186 in expenses related to governmental activities; only \$5,417,240 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$4,858,767 were used to provide for the remainder of these programs.
- ▶ The District had \$25,993 in expenses related to business-type activities; \$33,159 of these expenses were offset by program specific charges for services and sales, grants and contributions.
- ▶ The District recognizes two major governmental funds: the General Fund and the Bond Retirement Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$8,124,092 in revenues and \$8,279,977 in expenditures in fiscal year 2010.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Berne Union Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement 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. These statements include all assets and liabilities using the accrual basis of accounting which is 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.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities divided into two distinct kinds of activities: governmental activities and business-type activities.

Governmental Activities

Most of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Business-Type Activities

These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District preschool operations are reported as business activities.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

Reporting the District's Most Significant Funds

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. The District's two major governmental funds are the General Fund and Bond Retirement Fund.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of three categories: governmental, proprietary and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

Proprietary funds have historically operated as enterprise funds using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the District as a whole.

Fiduciary Funds

The District's fiduciary funds are the private purpose trust and agency funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments while agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

BERNE UNION LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2010 compared to fiscal year 2009:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Assets:</u>						
Current and Other Assets	\$7,219,595	\$7,206,544	\$7,166	\$0	\$7,226,761	\$7,206,544
Capital Assets, Net	7,915,105	8,284,403	0	0	7,915,105	8,284,403
<i>Total Assets</i>	15,134,700	15,490,947	7,166	0	15,141,866	15,490,947
<u>Liabilities:</u>						
Long-Term Liabilities	3,198,612	3,510,600	0	0	3,198,612	3,510,600
Other Liabilities	3,799,688	3,850,768	0	0	3,799,688	3,850,768
<i>Total Liabilities</i>	6,998,300	7,361,368	0	0	6,998,300	7,361,368
<u>Net Assets:</u>						
Invested in Capital Assets, Net of Related Debt	5,162,693	5,278,945	0	0	5,162,693	5,278,945
Restricted	971,284	890,211	0	0	971,284	890,211
Unrestricted	2,002,423	1,960,423	7,166	0	2,009,589	1,960,423
<i>Total Net Assets</i>	\$8,136,400	\$8,129,579	\$7,166	\$0	\$8,143,566	\$8,129,579

Current and other assets for governmental activities increased \$13,051 or 0.18 percent from fiscal year 2009 due primarily to increase in cash with fiscal agent. Capital assets for governmental activities decreased by \$369,298 or 4.46 percent due to current year depreciation that exceeded additions to buildings and equipment.

Current (other) liabilities for governmental activities decreased by \$51,080 or 1.33 percent due mostly to a decrease in deferred revenue related to property taxes receivable.

Long-term liabilities for governmental activities decreased \$311,988 due to scheduled payments made on outstanding debt.

The net assets of the District business-type activities increased \$7,166.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

The District's largest portion of net assets for governmental activities is related to amounts invested in capital assets, net of related debt. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The District's smallest portion of net assets for governmental activities is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

The remaining balance of \$2,002,423 is unrestricted net assets for governmental activities. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

Table 2 shows the changes in net assets for fiscal year 2010 and provides a comparison to fiscal year 2009.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for Services and Sales	\$900,357	\$952,480	\$33,159	\$0	\$933,516	\$952,480
Operating Grants and Contributions	3,958,410	1,206,972	0	0	3,958,410	1,206,972
<i>General Revenues:</i>						
Property Taxes	3,105,383	2,867,427	0	0	3,105,383	2,867,427
Income Taxes	931,362	967,079	0	0	931,362	967,079
Unrestricted Grants and Entitlements	1,291,276	3,218,834	0	0	1,291,276	3,218,834
Investment Earnings	10,957	49,811	0	0	10,957	49,811
Miscellaneous	78,262	73,685	0	0	78,262	73,685
<i>Total Revenues</i>	<i>10,276,007</i>	<i>9,336,288</i>	<i>33,159</i>	<i>0</i>	<i>10,309,166</i>	<i>9,336,288</i>
<u>Expenses:</u>						
<i>Program Expenses:</i>						
<i>Instruction:</i>						
Regular	4,384,224	3,738,952	0	0	4,384,224	3,738,952
Special	1,373,424	1,119,375	0	0	1,373,424	1,119,375
Vocational	137,803	127,534	0	0	137,803	127,534
Student Intervention Services	200,496	35,599	0	0	200,496	35,599

(Continued)

BERNE UNION LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<i>Support Services:</i>						
Pupils	243,157	249,647	0	0	243,157	249,647
Instructional Staff	571,063	532,939	0	0	571,063	532,939
Board of Education	15,263	13,382	0	0	15,263	13,382
Administration	781,009	872,836	0	0	781,009	872,836
Fiscal	294,201	299,157	0	0	294,201	299,157
Business	13,162	5,406	0	0	13,162	5,406
Operation and Maintenance of Plant	759,954	813,905	0	0	759,954	813,905
Pupil Transportation	633,040	596,099	0	0	633,040	596,099
Central	35,081	25,827	0	0	35,081	25,827
<i>Operation of Non-Instructional Services</i>						
Food Services	294,137	259,066	0	0	294,137	259,066
Other	0	616	0	0	0	616
Extracurricular Activities	304,972	260,453	0	0	304,972	260,453
Interest and Fiscal Charges	228,200	79,857	0	0	228,200	79,857
Preschool	0	0	25,993	0	25,993	0
<i>Total Expenses</i>	10,269,186	9,030,650	25,993	0	10,295,179	9,030,650
<i>Changes in Net Assets</i>	6,821	305,638	7,166	0	13,987	305,638
Net Assets - Beginning of Year	8,129,579	7,823,941	0	0	8,129,579	7,823,941
Net Assets - End of Year	\$8,136,400	\$8,129,579	\$7,166	\$0	\$8,143,566	\$8,129,579

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

The most significant governmental activities program expenses for the District are Regular Instruction, Special Instruction, Administration, Operation and Maintenance of Plant, and Pupil Transportation. These programs account for 77.23 percent of the total governmental activities. Regular Instruction, which accounts for 42.69 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 13.37 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 7.61 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant, which represents 7.40 percent of the total, represents costs associated with operating and maintaining the District's facilities. Pupil Transportation, which represents 6.16 percent of the total cost, represents costs associated with providing transportation services for students between home and school, and to school activities.

As noted previously, the net assets for the governmental activities increased \$6,821 or 0.08 percent. This is a decrease from last year when net assets increased \$305,638 or 3.91 percent. For the governmental activities, total revenues increased \$924,719 or 9.90 percent from last year and expenses increased \$1,238,536 or 13.71 percent from last year.

The District's governmental activities had program revenue increases of \$2,699,315, as well as decreases in general revenues of \$1,759,596. The increase in program revenues and decrease in general revenue is mostly due to the reclassification of grants revenue from unrestricted grants to operating grants.

The total expenses for governmental activities increased due to an increase of \$645,272 in regular instruction expenses and an increase of \$254,049 in special instruction expenses.

The majority of the funding for the most significant programs indicated above is from property taxes and operating grants and contributions. Property taxes and operating grants and contributions account for 68.84 percent of total revenues.

The net assets for the business-type activities increased \$7,166. The business-type activities had \$33,159 of program revenue and \$25,993 of total expenses. Fiscal year 2010 was the initial year of operation for this program.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. The District was facing a potential deficit (dependent upon the State's Biennium Budget for Fiscal Year 2007) in fiscal year 2007 and would have been placed in Fiscal Caution by the Ohio Department of Education. To avoid the potential deficit, in May 2007, the Board of Education placed an income tax levy on the ballot. The voters approved the 1 percent income tax levy.

The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 30.22 percent and intergovernmental revenue made up 51.09 percent of the total revenue for the governmental activities in fiscal year 2010.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2010, the District received \$3,228,280 through the State's foundation program, which represents 31.46 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 59.36 percent of governmental activities program expenses. Support services expenses make up 32.58 percent of governmental activities program expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Business-Type Activities

Business-type activities include the Preschool activities. This programs had program revenues of \$33,159 and expenses of \$10,993 for fiscal year 2009. All of the program revenues were from tuition and fees.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2010 and comparison to fiscal year 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
<u>Program Expenses:</u>				
<i>Governmental Activities:</i>				
Instruction	\$6,095,947	\$5,021,460	\$2,789,136	\$3,555,554
Support Services	3,345,930	3,409,198	2,183,513	3,054,188
Operation of Non-Instructional Services	294,137	259,682	7,565	215
Extracurricular Activities	304,972	260,453	202,005	181,384
Interest and Fiscal Charges	228,200	79,857	228,200	79,857
<i>Business-Type Activities:</i>				
Preschool	25,993	0	7,166	0
Total Expenses	<u>\$10,295,179</u>	<u>\$9,030,650</u>	<u>\$5,403,253</u>	<u>\$6,871,198</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$10,582,246 and expenditures and other financing uses of \$10,549,193.

Total governmental funds fund balance increased by \$33,053. The increase in fund balance for the year was most significant in the Title VI-B Fund which increased \$72,785. The General Fund had a fund balance decrease of \$114,408 or 7.10 percent, reflecting expenditures for general operations exceeded revenues received.

Budget Highlights - General Fund

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

During the course of fiscal year 2010, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenue was \$7,968,757 representing an increase of \$943,423 or 13.43 percent from the original budget estimates of \$7,025,334. For the General Fund, the final budget basis expenditures were \$8,642,814 representing an increase of \$123,475 or 1.45 percent from the original budget estimates of \$8,519,339.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the District had \$13.4 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$5.5 million. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009.

BERNE UNION LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 4
Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	2010	2009
<i>Nondepreciable Capital Assets:</i>		
Land	\$410,820	\$410,820
<i>Depreciable Capital Assets:</i>		
Land Improvements	642,920	642,920
Buildings and Improvements	10,938,965	10,938,965
Furniture, Fixtures and Equipment	692,740	689,393
Vehicles	748,176	748,176
<i>Total Capital Assets</i>	<u>13,433,621</u>	<u>13,430,274</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	379,195	348,855
Buildings and Improvements	4,414,898	4,132,478
Furniture, Fixtures and Equipment	420,416	390,458
Vehicles	304,007	274,080
<i>Total Accumulated Depreciation</i>	<u>5,518,516</u>	<u>5,145,871</u>
Capital Assets, Net	<u>\$7,915,105</u>	<u>\$8,284,403</u>

More detailed information pertaining to the District's capital asset activity can be found in Note 10 of the notes to the basic financial statements.

Debt Administration

At June 30, 2010, the District had \$2,540,299 in general obligation debt outstanding with \$484,537 due within one year. Table 5 summarizes the general obligation debt outstanding for fiscal year 2010 compared to fiscal year 2009.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2010	2009
Refunding Bonds	\$1,710,000	\$1,970,000
Energy Loan	830,299	925,967
Total General Obligation Debt	<u>\$2,540,299</u>	<u>\$2,895,967</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

More detailed information pertaining to the District's long-term debt activity can be found in Note 15 of the notes to the basic financial statements.

Current Issues

Although considered a mid-wealth district, Berne Union Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

The Berne Union Local School District does not anticipate any meaningful growth or loss in revenue as a result of these changes. However, with the passage of HB1 and the evidence based model plan, Berne Union does anticipate an increase in expenditure. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

The District voters approved a 5 year income tax levy of 1 percent in November 2009, expiring at the end of 2015. In fiscal year 2009 this generated \$930,071 in revenue for general operations.

Fiscal year 2010 percentage in State Funding was 35.63%, Local 52.61% and Federal 11.76% which includes the ARRA Funding. Currently, unpaid property taxes in the Berne Union School District continues to be an issue resulting in a substantial loss of revenue. The amount of money we spend per student is \$1,200 less than the state average. All funding for new school bus purchases have been eliminated by the Ohio Department of Education through House Bill 1. Our bus fleet currently consists of several buses with well over 100,000 miles. The last new bus purchase was in the year 2007, and before that, it was in the year 2001.

While you may have learned of the SFSF "stimulus funds" that schools received, Berne Union used the majority of these funds for utility expenses to offset the cut received on the regular foundation payments. Other ARRA "stimulus funds" were required to be used for specific purposes.

The Evidence Based Model (EBM), a way of funding schools, and what the expectations are from the State of Ohio as the EBM and House Bill 1 relates to Berne Union is still unknown at this time. We will continue to seek funding through new state and federal programs to continue providing an excellent education to the students of Berne Union. The Evidence Based Model will require school districts to create programs that it may not currently have, but the amount of funding for those programs is being determined by the state at this time. Without legislative help, Berne Union could lose from 10% to 20% of state funding in fiscal year 2012, which would result in a major deficit not only for Berne Union, but for the majority of schools in Ohio. There are a lot of variables that will affect funding for Berne Union and to put a plan together for reductions at this time is not feasible. The Evidence Based Model of funding schools is supposed to improve the financial picture for schools in the long run, but many of the funding models are several years away from being fully funded and does not take into consideration the employer benefit costs a district pays.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)*

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 received. If you have any questions about this report or need additional information contact Frieda Cyrus, Treasurer of Berne Union Local School Board of Education, 506 North Main Street, Sugar Grove, Ohio 43155.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,159,256	\$7,166	\$3,166,422
Cash and Cash Equivalents with Fiscal Agent	577,247	0	577,247
Property Taxes Receivable	3,097,018	0	3,097,018
Accounts Receivable	16,146	0	16,146
Income Taxes Receivable	324,478	0	324,478
Inventory Held for Resale	2,026	0	2,026
Materials and Supplies Inventory	11,187	0	11,187
Deferred Charges	32,237	0	32,237
Nondepreciable Capital Assets	410,820	0	410,820
Depreciable Capital Assets, Net	7,504,285	0	7,504,285
<i>Total Assets</i>	<u>15,134,700</u>	<u>7,166</u>	<u>15,141,866</u>
<u>Liabilities:</u>			
Accounts Payable	60,273	0	60,273
Accrued Wages and Benefits	692,353	0	692,353
Contracts Payable	16,368	0	16,368
Intergovernmental Payable	211,826	0	211,826
Accrued Interest Payable	23,997	0	23,997
Matured Compensated Absences Payable	19,722	0	19,722
Claims Payable	125,168	0	125,168
Deferred Revenue	2,649,981	0	2,649,981
<i>Long-Term Liabilities:</i>			
Due within One Year	554,025	0	554,025
Due in More Than One Year	2,644,587	0	2,644,587
<i>Total Liabilities</i>	<u>6,998,300</u>	<u>0</u>	<u>6,998,300</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	5,162,693	0	5,162,693
<i>Restricted for:</i>			
Debt Service	777,856	0	777,856
Other Purposes	193,428	0	193,428
Unrestricted	2,002,423	7,166	2,009,589
<i>Total Net Assets</i>	<u>\$8,136,400</u>	<u>\$7,166</u>	<u>\$8,143,566</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>						
<i>Instruction:</i>						
Regular	\$4,384,224	\$643,473	\$1,488,063	(\$2,252,688)	\$0	(\$2,252,688)
Special	1,373,424	1,933	967,996	(403,495)	0	(403,495)
Vocational	137,803	0	22,157	(115,646)	0	(115,646)
Student Intervention Services	200,496	0	183,189	(17,307)	0	(17,307)
<i>Support Services:</i>						
Pupils	243,157	0	0	(243,157)	0	(243,157)
Instructional Staff	571,063	0	234,773	(336,290)	0	(336,290)
Board of Education	15,263	0	0	(15,263)	0	(15,263)
Administration	781,009	288	248,590	(532,131)	0	(532,131)
Fiscal	294,201	0	0	(294,201)	0	(294,201)
Business	13,162	0	0	(13,162)	0	(13,162)
Operation and Maintenance of Plant	759,954	0	361,362	(398,592)	0	(398,592)
Pupil Transportation	633,040	0	312,404	(320,636)	0	(320,636)
Central	35,081	0	5,000	(30,081)	0	(30,081)
<i>Operation of Non-Instructional Services:</i>						
Food Service	294,137	151,696	134,876	(7,565)	0	(7,565)
Extracurricular Activities	304,972	102,967	0	(202,005)	0	(202,005)
Interest and Fiscal Charges	228,200	0	0	(228,200)	0	(228,200)
Total Governmental Activities	10,269,186	900,357	3,958,410	(5,410,419)	0	(5,410,419)
<u>Business-Type Activities:</u>						
Preschool	25,993	33,159	0	0	7,166	7,166
Total Business-Type Activities	25,993	33,159	0	0	7,166	7,166
Totals	10,295,179	933,516	3,958,410	(5,410,419)	7,166	(5,403,253)
<u>General Revenues:</u>						
<i>Property Taxes Levied for:</i>						
General Purposes				2,690,142	0	2,690,142
Debt Service				378,446	0	378,446
Capital Outlay				36,795	0	36,795
Income Taxes Levied for General Purposes				931,362	0	931,362
Grants and Entitlements not Restricted to Specific Programs				1,291,276	0	1,291,276
Investment Earnings				10,957	0	10,957
Miscellaneous				78,262	0	78,262
Total General Revenues				5,417,240	0	5,417,240
Change in Net Assets				6,821	7,166	13,987
<i>Net Assets at Beginning of Year</i>				<u>8,129,579</u>	<u>0</u>	<u>8,129,579</u>
<i>Net Assets at End of Year</i>				<u>\$8,136,400</u>	<u>\$7,166</u>	<u>\$8,143,566</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2010*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,723,383	\$768,753	\$376,778	\$2,868,914
Property Taxes Receivable	2,657,150	400,951	38,917	3,097,018
Income Taxes Receivable	324,478	0	0	324,478
Accounts Receivable	0	0	16,146	16,146
Interfund Receivable	12,000	0	0	12,000
Inventory Held for Resale	0	0	2,026	2,026
Materials and Supplies Inventory	10,557	0	630	11,187
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	122,856	0	0	122,856
Total Assets	\$4,850,424	\$1,169,704	\$434,497	\$6,454,625
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$26,760	\$0	\$33,513	\$60,273
Accrued Wages and Benefits	617,520	0	74,833	692,353
Contracts Payable	16,368	0	0	16,368
Interfund Payable	0	0	12,000	12,000
Intergovernmental Payable	194,139	0	17,687	211,826
Matured Compensated Absences Payable	19,722	0	0	19,722
Deferred Revenue	2,479,072	367,159	35,868	2,882,099
Total Liabilities	3,353,581	367,159	173,901	3,894,641
<u>Fund Balances:</u>				
Reserved for Encumbrances	107,119	0	39,449	146,568
Reserved for Property Taxes	178,078	33,792	3,049	214,919
Reserved for Budget Stabilization	100,000	0	0	100,000
Reserved for Bus Purchases	22,856	0	0	22,856
<u>Unreserved, Undesignated, Reported in:</u>				
General Fund	1,088,790	0	0	1,088,790
Special Revenue Funds	0	0	218,098	218,098
Debt Service Fund	0	768,753	0	768,753
Total Fund Balances	1,496,843	802,545	260,596	2,559,984
Total Liabilities and Fund Balances	\$4,850,424	\$1,169,704	\$434,497	\$6,454,625

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Funds Balances	\$2,559,984
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,915,105
Some of the District's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:	
Property taxes	232,118
Unamortized issuance costs represent deferred charges which do not provide current financial resources and are therefore not reported in the funds	32,237
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:	
Refunding general obligation bonds	(1,710,000)
Energy Loan	(830,299)
Capital leases	(160,105)
Accrued interest	(23,997)
Compensated absences	(413,963)
Premium on bonds	(84,245)
Total liabilities that are not reported in the funds	(3,222,609)
An internal service fund is used by management to charge the costs of insurance activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	619,565
<i>Net Assets of Governmental Activities</i>	<u><u>\$8,136,400</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$2,691,850	\$375,162	\$36,881	\$3,103,893
Income Tax	931,362	0	0	931,362
Intergovernmental	3,818,437	48,813	1,380,573	5,247,823
Interest	8,784	1,941	232	10,957
Tuition and Fees	635,142	0	10,264	645,406
Extracurricular Activities	20,265	0	82,238	102,503
Gifts and Donations	0	0	2,615	2,615
Customer Sales and Services	0	0	151,696	151,696
Miscellaneous	18,252	0	60,010	78,262
<i>Total Revenues</i>	<u>8,124,092</u>	<u>425,916</u>	<u>1,724,509</u>	<u>10,274,517</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,037,948	0	57,782	4,095,730
Special	852,445	0	525,024	1,377,469
Vocational	134,310	0	2,244	136,554
Student Intervention Services	496	0	200,000	200,496
<i>Support Services:</i>				
Pupils	238,162	0	3,959	242,121
Instructional Staff	403,308	0	169,919	573,227
Board of Education	15,317	0	0	15,317
Administration	824,557	0	43,421	867,978
Fiscal	282,523	8,475	825	291,823
Business	13,162	0	0	13,162
Operation and Maintenance of Plant	586,081	0	164,861	750,942
Pupil Transportation	602,442	0	0	602,442
Central	31,732	0	981	32,713
<i>Operation of Non-Instructional Services:</i>				
Food Service Operations	0	0	288,070	288,070
Extracurricular Activities	216,533	0	85,878	302,411
<i>Debt Service:</i>				
Principal Retirement	30,015	355,667	0	385,682
Interest and Fiscal Charges	10,946	228,984	0	239,930
<i>Total Expenditures</i>	<u>8,279,977</u>	<u>593,126</u>	<u>1,542,964</u>	<u>10,416,067</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(155,885)</u>	<u>(167,210)</u>	<u>181,545</u>	<u>(141,550)</u>
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	174,603	0	0	174,603
Transfers In	0	133,126	0	133,126
Transfers Out	(133,126)	0	0	(133,126)
<i>Total Other Financing Sources (Uses)</i>	<u>41,477</u>	<u>133,126</u>	<u>0</u>	<u>174,603</u>
<i>Net Changes in Fund Balances</i>	(114,408)	(34,084)	181,545	33,053
<i>Fund Balances at Beginning of Year</i>	<u>1,611,251</u>	<u>836,629</u>	<u>79,051</u>	<u>2,526,931</u>
<i>Fund Balances at End of Year</i>	<u>\$1,496,843</u>	<u>\$802,545</u>	<u>\$260,596</u>	<u>\$2,559,984</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds		\$33,053
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays 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 by which depreciation exceeded capital outlay in the current period.		(369,298)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes		1,490
Repayment of bond and loan principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		385,682
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		2,940
Bond issuance costs are reported as expenditures in the governmental funds when due, but in the statement of activities these costs are accrued as deferred charges.		(8,059)
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.		(174,603)
Some items 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. These activities consist of:		
Compensated absences	(9,915)	
Premium bonds issued	16,849	
Capital leases traded in	<u>93,975</u>	
Total expenditures not reported in the funds		100,909
An internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is reported as governmental activities.		<u>34,707</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$6,821</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2010*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$2,236,222	\$2,536,363	\$2,536,363	\$0
Income Tax	820,011	930,071	930,071	0
Intergovernmental	3,366,583	3,818,540	3,818,437	(103)
Interest	8,468	10,000	9,605	(395)
Tuition and Fees	559,982	635,142	635,142	0
Extracurricular Activities	17,867	20,265	20,265	0
Miscellaneous	16,201	18,376	18,376	0
<i>Total Revenues</i>	<u>7,025,334</u>	<u>7,968,757</u>	<u>7,968,259</u>	<u>(498)</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,105,147	4,026,092	3,972,909	53,183
Special	875,550	958,663	847,347	111,316
Vocational	137,477	143,022	133,049	9,973
<i>Support Services:</i>				
Pupils	259,512	317,557	251,153	66,404
Instructional Staff	430,965	414,191	417,083	(2,892)
Board of Education	15,827	16,822	15,317	1,505
Administration	795,953	816,525	770,314	46,211
Fiscal	292,131	291,903	282,721	9,182
Business	15,684	7,351	15,179	(7,828)
Operation and Maintenance of Plant	713,122	718,098	690,151	27,947
Pupil Transportation	623,773	669,642	603,680	65,962
Central	32,788	41,187	31,732	9,455
Extracurricular Activities	221,410	221,761	214,278	7,483
<i>Total Expenditures</i>	<u>8,519,339</u>	<u>8,642,814</u>	<u>8,244,913</u>	<u>397,901</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,494,005)	(674,057)	(276,654)	397,403
<u>Other Financing Sources (Uses):</u>				
Advances Out	(12,000)	0	(12,000)	(12,000)
Transfers Out	(462,236)	(461,080)	(133,126)	327,954
<i>Total Other Financing Sources (Uses)</i>	<u>(474,236)</u>	<u>(461,080)</u>	<u>(145,126)</u>	<u>315,954</u>
<i>Net Change in Fund Balances</i>	(1,968,241)	(1,135,137)	(421,780)	713,357
<i>Fund Balance at Beginning of Year</i>	1,968,241	1,968,241	1,968,241	0
<i>Prior Year Encumbrances Appropriated</i>	153,695	153,695	153,695	0
<i>Fund Balance at End of Year</i>	<u>\$153,695</u>	<u>\$986,799</u>	<u>\$1,700,156</u>	<u>\$713,357</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2010

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	Other Enterprise Fund	Internal Service
<u>Assets:</u>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$7,166	\$167,486
Cash and Cash Equivalents with Fiscal Agent	<u>0</u>	<u>577,247</u>
<i>Total Assets</i>	<u>7,166</u>	<u>744,733</u>
<u>Liabilities:</u>		
<i>Current Liabilities:</i>		
Claims Payable	<u>0</u>	<u>125,168</u>
<i>Total Liabilities</i>	<u>0</u>	<u>125,168</u>
<u>Net Assets:</u>		
Unrestricted	<u>\$7,166</u>	<u>\$619,565</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Revenues,

Expenses and Change in Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2010

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	Other Enterprise Fund	Internal Service
<u>Operating Revenues:</u>		
Tuition	\$33,159	\$0
Charges for Services	<u>0</u>	<u>858,896</u>
<i>Total Operating Revenues</i>	33,159	858,896
<u>Operating Expenses:</u>		
Purchased Services	0	90,853
Materials and Supplies	25,993	0
Claims	<u>0</u>	<u>733,336</u>
<i>Total Operating Expenses</i>	<u>25,993</u>	<u>824,189</u>
<i>Operating Income</i>	7,166	34,707
<i>Net Assets at Beginning of Year</i>	<u>0</u>	<u>584,858</u>
<i>Net Assets at End of Year</i>	<u><u>\$7,166</u></u>	<u><u>\$619,565</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2010

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	Other	
	Enterprise	Internal
	Fund	Service
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>		
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Tuition	\$33,159	\$0
Cash Received from Interfund Services Provided	0	858,896
Cash Payments for Goods and Services	(25,993)	(90,853)
Cash Payments for Claims	0	(742,075)
	<u>7,166</u>	<u>25,968</u>
<i>Net Cash from Operating Activities</i>	7,166	25,968
<i>Net Increase in Cash and Cash Equivalents</i>	7,166	25,968
<i>Cash and Cash Equivalents at Beginning of Year</i>	0	718,765
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$7,166</u></u>	<u><u>\$744,733</u></u>
 <u>Reconciliation of Operating Income</u>		
<u>to Net Cash from Operating Activities:</u>		
Operating Income	\$7,166	\$34,707
 <u>Adjustments to Reconcile Operating Income</u>		
<u>to Net Cash from Operating Activities:</u>		
<i>Decrease in Liabilities:</i>		
Claims Payable	0	(8,739)
<i>Net Cash from Operating Activities</i>	<u><u>\$7,166</u></u>	<u><u>\$25,968</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$3,000	\$29,416
<u>Liabilities:</u>		
Undistributed Monies	0	7,070
Due to Students	0	22,346
<i>Total Liabilities</i>	\$0	\$29,416
<u>Net Assets:</u>		
Held in Trust for Scholarships	3,000	
<i>Total Net Assets</i>	\$3,000	

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
June 30, 2010

	Private Purpose Trust
<u><i>Additions</i></u>	\$0
<u><i>Deductions:</i></u>	
Payments in Accordance with Trust Agreements	1,000
<i>Change in Net Assets</i>	(1,000)
<i>Net Assets at Beginning of Year</i>	4,000
<i>Net Assets at End of Year</i>	<u><u>\$3,000</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Berne Union Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. It is staffed by 33 non-certificated employees, 68 certificated full-time teaching personnel and 6 administrative employees who provide services to 923 students and other community members.

Reporting Entity

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

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

The District is associated with two jointly governed organizations: the Metropolitan Education Council (MEC) and the South Central Ohio Insurance Consortium (SCOIC). The District is also associated with one insurance purchasing pool: Ohio School Boards Association Worker's Compensation Group Rating Program. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB guidance issued after November 30, 1989 to its business type activities and enterprise funds, subject to the same limitation. The District has elected not to apply these FASB guidance. The more significant of the District's accounting policies are described below.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities and business-type 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, 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 business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting 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 type.

B. Fund Accounting

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds

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

The following are the District's major governmental funds:

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

Bond Retirement Fund- This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

The other governmental funds of the District accounts for grants and other resources of the District whose use is restricted to a particular purpose.

Proprietary Funds

The proprietary fund focus is on the determination of the change in net assets, financial position and cash flows and is classified as enterprise. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for a preschool program which is funded through tuition fees charged. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides health and dental benefits to employees.

Fiduciary Funds

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. All assets and liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the 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.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

During the fiscal year 2010, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investments the investment could be sold for on June 30, 2010.

At June 30, 2010, the District held no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$8,784, which includes \$2,173 assigned from other District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

F. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used, consumed or sold.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, and purchased food and donated food held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed, used or sold.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. There were no prepaid items at June 30, 2010.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by statute to be set-aside by the District to create reserves for budget stabilization and bus purchases. See note 17 for additional information regarding set-asides.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Capital Assets

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	50 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	9 - 30 years
Vehicles	25 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 10 years of service with the District.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Liabilities

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, and special termination of benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Long-term bonds and capital leases are recognized as a liability on the fund financial statements when due.

L. 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. Net assets restricted for other purposes primarily include funds for poverty aid and federal grants.

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

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money set-aside by statute, which protects against cyclical changes in revenues and expenditures.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Interfund Transactions

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

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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Although the legal level of control has been established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the fund and function level of expenditures in the basic financial statements. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2010.

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

NOTE 3- NEW GASB PRONOUNCEMENTS

For fiscal year 2010, the District implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". The implementation of GASB Statement No. 53 and 58 had no effect on the prior period fund balances of the District.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 4 - ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2010:

	<u>Deficit Fund Balance</u>
<i>Nonmajor Governmental Funds:</i>	
Preschool Public	\$16,499
IDEA	9,568
Title I	7,666
Improving Teacher Quality	2,220
Miscellaneous Federal Grants	17,222

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING- (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$114,408)
<i>Adjustments:</i>	
Revenue Accruals	(155,833)
Expenditure Accruals	188,160
Encumbrances	(146,096)
Other Uses	<u>(186,603)</u>
Budget Basis	<u><u>(\$421,780)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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

Public depositories must give security for all public funds on deposit. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 qualified trustee 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 No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40 "Deposit and Investment Risk Disclosures."

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2010, the carrying amount of all District deposits was \$3,198,838, which excludes \$577,247 in cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2010, \$2,984,710 of the District's bank balance of \$3,234,710 was exposed to custodial credit risk as discussed above while \$250,000 was covered by Federal Depository Insurance. The \$2,984,710 exposed to custodial risk was collateralized with securities held by the pledging financial institution or its agent in the District's name.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property tax) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 7 - PROPERTY TAXES - (Continued)

The District receives property taxes from Fairfield and Hocking Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010 are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2010 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2010. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2010 was \$214,919 and is recognized as revenue. Of this total amount, \$178,078 was available to the General Fund, \$33,792 was available to the Bond Retirement Fund and \$3,049 was available to the Classroom Facilities Maintenance Nonmajor Governmental Fund.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$90,241,900	80.43%	\$90,996,340	78.31%
Public Utility Personal	21,959,450	19.57%	25,208,030	21.69%
Total Assessed Value	<u>\$112,201,350</u>	<u>100.00%</u>	<u>\$116,204,370</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.20		\$48.20	

NOTE 8- INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents. The tax became effective on January 1, 2006, and continues for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue of \$931,362 is credited to the General Fund for fiscal year 2010.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 9 - RECEIVABLES

Receivables at June 30, 2010 consisted of property and income taxes and accounts receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of accounts receivables follows:

<u>Governmental Activities:</u>	
<i>Nonmajor Governmental Fund:</i>	
Food Supplies	\$16,146
Total Accounts Receivable	<u>\$16,146</u>

NOTE 10 - CAPITAL ASSETS

Capital asset governmental activity for the fiscal year ended June 30, 2010 was as follows:

<u>Asset Category</u>	<u>Balance at July 1, 2009</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2010</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$410,820	\$0	\$0	\$410,820
<i>Depreciable Capital Assets:</i>				
Land Improvements	642,920	0	0	642,920
Buildings and Improvements	10,938,965	0	0	10,938,965
Furniture, Fixtures and Equipment	689,393	5,546	(2,199)	692,740
Vehicles	748,176	0	0	748,176
Total Depreciable Capital Assets	<u>13,019,454</u>	<u>5,546</u>	<u>(2,199)</u>	<u>13,022,801</u>
Total Capital Assets	<u>13,430,274</u>	<u>5,546</u>	<u>(2,199)</u>	<u>13,433,621</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(348,855)	(30,340)	0	(379,195)
Buildings and Improvements	(4,132,478)	(282,420)	0	(4,414,898)
Furniture, Fixtures and Equipment	(390,458)	(32,157)	2,199	(420,416)
Vehicles	(274,080)	(29,927)	0	(304,007)
Total Accumulated Depreciation	<u>(5,145,871)</u>	<u>(374,844)</u>	<u>2,199</u>	<u>(5,518,516)</u>
Total Net Capital Assets	<u>\$8,284,403</u>	<u>(\$369,298)</u>	<u>\$0</u>	<u>\$7,915,105</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$316,019
Vocational	568
<i>Support Services:</i>	
Pupils	346
Instructional Staff	3,637
Administration	1,956
Fiscal	251
Operational and Maintenance of Plant	7,760
Pupil Transportation	32,060
Central	2,374
Operation of Non-Instructional Services	6,067
Extracurricular Activities	3,806
Total Depreciation Expense	<u>\$374,844</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 11 - 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; injuries to employees and natural disasters. During fiscal year 2010, the District contracted with Hylant Administrative Services for professional and general liability insurance, fleet insurance and property insurance. Coverages provided are as follows:

Building/Contents and Boiler/Machinery Building/Contents	\$27,996,004
Fleet Liability (Buses \$1,000 collision and comprehensive all other \$500 deductible for collision and \$250 for comprehensive)	3,000,000
General Liability: Per Occurrence	4,000,000
Aggregate Limit	6,000,000
Public Official Bonds:	
Treasurer	50,000
Superintendent	20,000
Board President	20,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2010, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its worker's compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Sheakley Unicom provides administrative, cost control and actuarial services to the Plan.

The District was self funded with the South Central Ohio Insurance Consortium effective January 1, 1996.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 11 - RISK MANAGEMENT - (Continued)

The District joined four other school districts January 1, 1996, to form a regional council of governments in accordance with Ohio Revised Code Chapter 167 and entered into an Agreement Establishing the South Central Ohio Insurance Consortium for the purpose of carrying out a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code, in an effort to minimize risk exposure and control claims and premium costs. EVMC Benefits is the third party administrator for the consortium, with Sun Life Insurance Company as the excess loss carrier. The individual excess loss coverage is \$50,000 individual deductible per person with a \$3,000,000 maximum lifetime reimbursement per person.

The South Central Ohio Insurance Consortium was established to accumulate balances sufficient to self-insure basic medical and prescription drug coverage and permit excess umbrella coverage for claims over a predetermined level. The Board's share and the employees' share of premium contributions are determined by the negotiated agreement for certificated employees and by Board action for administrators and classified employees.

Premiums are paid to the South Central Ohio Insurance Consortium Fund and the Self Insurance Fund of the District from the Internal Service Fund. The cash balance with the fiscal agent at June 30, 2010, was \$577,247. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2010, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

The claims liability of \$125,168 supported at June 30, 2010 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10, as amended by Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2009	\$12,831	\$392,149	\$271,073	\$133,907
2010	133,907	733,336	742,075	125,168

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 12 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (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 State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$136,780, \$81,505, and \$111,357, respectively; 42.05 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$79,260 representing the unpaid contribution for fiscal year 2010, is recorded as a liability on the statement of net assets.

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$488,550, \$460,650, and \$540,250, respectively; 82.59 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$85,033 representing the unpaid contribution for fiscal year 2010, is recorded as a liability on the statement of net assets.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, four members of the Board of Education have elected Social Security.

NOTE 13 - POSTEMPLOYMENT BENEFITS

Plan Description - Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or the combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums.

The State Teachers Retirement Board has statutory authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at www.strsoh.org or obtain a copy by calling (888)227-7877.

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent contribution is the maximum rate allowed under Ohio law.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$37,581, \$35,435 and \$41,558 respectively; 100 percent has been contributed for years 2010, 2009, and 2008.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$2.7 billion at June 30, 2009 (the latest information year available). For the year ended June 30, 2010, net health care costs paid by STRS were \$298,110,000 and STRS had 126,659 eligible benefit recipients.

Health Care Plan - Ohio law authorizes SERS Ohio to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Medicare B plan - reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is .76%. Berne Union Local School District's contributions for the years ended June 30, 2010, 2009 and 2008 were, \$1,139, \$870, \$1,048 respectively, which equaled the required contributions each year.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is 0.46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Berne Union Local School District's contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were \$28,180, \$49,638 and \$62,148, respectively.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days for aides and all other classified employees and for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 55 days for all employees.

NOTE 15 - LONG-TERM LIABILITIES

The changes in the District's long-term liabilities during fiscal year 2010 were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at June 30, 2010</u>	<u>Amount Due In One Year</u>
<i>Governmental Activities:</i>							
Energy Loan	2007	3.99%	\$925,967	\$0	\$95,667	\$830,299	\$99,537
Refunding Bonds	2006	3.50%	1,970,000	0	260,000	1,710,000	385,000
Premium on Refunding Bonds			101,094	0	16,849	84,245	16,849
Compensated Absences Payable			404,048	133,345	123,430	413,963	21,851
Capital Lease Payable			109,491	174,603	123,989	160,105	30,788
Total Governmental Activities Long-Term Obligations			<u>\$3,510,600</u>	<u>\$307,948</u>	<u>\$619,935</u>	<u>\$3,198,612</u>	<u>\$554,025</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 15 - LONG-TERM LIABILITIES - (Continued)

HB264 Energy Loan - In July 2007, Berne Union Local School District issued general obligation notes for H.B. 264 energy improvements. The notes were issued for \$1,055,000 at 3.99% interest and mature December, 2017. The notes will be retired through the Bond Retirement Fund using amounts from energy savings.

Refunding General Obligation Bonds - During fiscal year 2006, the District issued \$3,040,000 of general obligation bonds for the current refunding of \$3,040,000 of the 1993 series bonds. The \$151,641 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has the same remaining life of the refunded debt of 9 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$256,554 and a reduction of \$199,786 in future debt service payments. Additionally, there was an unamortized bond premium of \$32,237. The refunding bonds are retired through the Bond Retirement Fund using tax revenues.

On November 8, 1994, the voters of the District passed a .5 mill levy to qualify for State Building Assistance Funds. The District received a \$6,120,000 loan from the State of Ohio for the construction and reconstruction of classroom facilities.

Pursuant to changes that became effective on September 14, 2000, Section 3318.05 of the Ohio Revised Code was amended eliminating the requirement that certain school districts receiving state classroom facilities assistance repay one-half of the required twenty-three year one-half mill levy. From that date forward any school district that had previously been required to make repayment has been directed to cease making the payments to the Ohio School Facilities Commission and to instead deposit one hundred percent of the proceeds in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund designated by the Auditor of State.

Compensated absences will be paid from the fund from which the employee is paid which is primarily the General Fund. The capital lease payable will be paid from the General Fund.

The District's overall legal debt margin was \$7,921,334 with an unvoted debt margin of \$116,240 at June 30, 2010.

The annual requirements to retire the general obligation debt outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	Refunding Bonds		Energy Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$385,000	\$64,788	\$99,537	\$33,589	\$484,537	\$98,377
2012	400,000	50,050	103,564	29,562	503,564	79,612
2013	420,000	33,650	107,684	25,442	527,684	59,092
2014	360,000	16,250	112,109	21,017	472,109	37,267
2015	145,000	3,625	116,645	16,481	261,645	20,106
2016-2018	0	0	290,760	20,380	290,760	20,380
Total Debt	<u>\$1,710,000</u>	<u>\$168,363</u>	<u>\$830,299</u>	<u>\$146,471</u>	<u>\$2,540,299</u>	<u>314,834</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 16 - CAPITAL LEASE

The \$160,105 of outstanding capital lease payable relates to the lease/purchase of copiers.

In addition to the amount of principal retired, the District also traded in leases with principal balances of \$93,974, which is included in regular instruction and administrative support services expenditures.

The following is a schedule of the future minimum lease payment required under the capital lease and the present value of the minimum lease payment as of June 30, 2010:

Fiscal Year Ending June 30,	Capital Lease Payments
2011	\$42,484
2012	42,484
2013	42,484
2014	42,484
2015	21,242
Total Future Minimum Lease Payment	191,178
Amount Representing Interest	(31,073)
Present Value of Future Minimum Lease Payment	<u>\$160,105</u>

NOTE 17 - STATUTORY SET-ASIDES

The District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Previously, the District was also required to set aside money for budget stabilization. Senate Bill 345 eliminated the Budget Stabilization Reserve except for amounts related to unspent Bureau of Worker's Compensation refunds. The Bill requires the Board of Education to designate its intended use of the Reserve.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 17 - STATUTORY SET-ASIDES - (Continued)

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

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization	Total
Set-Aside Reserve Balance as of June 30, 2009	\$2,379	\$0	\$100,000	\$102,379
Current Year Set-Aside Requirement	152,745	152,745	0	305,490
Qualifying Disbursements	(325,632)	(336,715)	0	(662,347)
Totals	(170,508)	(183,970)	100,000	(254,478)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$170,508)	\$0	\$100,000	\$100,000
Set-Aside Reserve Balance as of June 30, 2010	\$0	\$0	\$100,000	\$100,000

The District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisition set-aside amounts below zero which may be carried forward to future years. Current year qualifying disbursements in excess of current year or accumulated set-aside requirements for textbooks may be used to reduce set-aside requirements in future years.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

Metropolitan Education Council is a jointly governed organization created as a regional council of governments pursuant to State statutes. MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

South Central Ohio Insurance Consortium (SCOIC)

South Central Ohio Insurance Consortium is a regional council of governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District does not have an ongoing financial interest in or financial responsibility for the SCOIC other than claims paid on behalf of the District for District employees.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Program

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool with Sheakley Uniservice, Inc. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 20 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2010.

B. Litigation

The District is involved in no pending litigation that would have a material effect on the financial condition of the District.

SUPPLEMENTARY DATA

**BERNE UNION LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(C) National School Lunch Program - Food Donation	10.555	2010	\$ 13,703	\$ 13,703
(D) National School Lunch Program	10.555	2010	<u>113,466</u>	<u>113,466</u>
Total National School Lunch Program			<u>127,169</u>	<u>127,169</u>
Total U.S. Department of Agriculture			<u>127,169</u>	<u>127,169</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2009	61,207	25,000
Title I Grants to Local Educational Agencies	84.010	2010	<u>197,765</u>	<u>176,183</u>
Total Title I Grants to Local Educational Agencies			<u>258,972</u>	<u>201,183</u>
<i>Special Education Grant Cluster:</i>				
(E) Special Education_Grants to States	84.027	2009	76,431	32,855
(E) Special Education_Grants to States	84.027	2010	<u>174,046</u>	<u>153,907</u>
Total Special Education_Grants to States			<u>250,477</u>	<u>186,762</u>
(E) ARRA - Special Education_Grants to States	84.391	2010	<u>183,257</u>	<u>158,669</u>
(E) Special Education_Preschool Grants	84.173	2010	<u>2,705</u>	<u>1,341</u>
(E) ARRA - Special Education_Preschool Grants	84.392	2010	<u>6,546</u>	<u>2,100</u>
Total Special Education Grant Cluster			<u>442,985</u>	<u>348,872</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	<u>3,321</u>	<u>3,321</u>
Twenty-First Century Community Learning Centers	84.287	2010	<u>182,778</u>	<u>182,778</u>
Education Technology State Grants	84.318	2009	412	505
Education Technology State Grants	84.318	2010	<u>1,987</u>	<u>1,987</u>
Total Education Technology State Grants			<u>2,399</u>	<u>2,492</u>
Improving Teacher Quality State Grants	84.367	2009	14,255	5,455
Improving Teacher Quality State Grants	84.367	2010	<u>47,100</u>	<u>41,590</u>
Total Improving Teacher Quality State Grants			<u>61,355</u>	<u>47,045</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	<u>231,839</u>	<u>215,030</u>
Total U.S. Department of Education			<u>1,183,649</u>	<u>1,000,721</u>
Total Federal Financial Assistance			<u>\$ 1,310,818</u>	<u>\$ 1,127,890</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2010.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Special Education Grant Cluster" in determining major programs.



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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 Accounting Standards***

Berne Union Local School District
506 North Main Street
Sugar Grove, Ohio 43155

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berne Union Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise Berne Union Local School District's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Berne Union Local School District

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Berne Union Local School District in a separate letter dated December 17, 2010.

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

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

Julian & Grube, Inc.
December 17, 2010



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Berne Union Local School District
506 North Main Street
Sugar Grove, Ohio 43155

To the Board of Education:

Compliance

We have audited the compliance of the Berne Union Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to its major federal program for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Berne Union Local School District's major federal program. The Berne Union Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Berne Union Local School District's compliance based on our audit.

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

In our opinion, the Berne Union Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The Berne Union Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Berne Union Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Berne Union Local School District's internal control over compliance.

Board of Education
Berne Union Local School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
December 17, 2010

**BERNE UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Grant Cluster: Special Education_Grants to States - CFDA #84.027, ARRA - Special Education_Grants to States, Recovery Act - CFDA #84.391, Special Education_Preschool Grants - CDFA #84.173, ARRA - Special Education_Preschool Grants - CFDA #84.392
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BERNE UNION LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-BULSD-001	<u>Significant Deficiency Bank Reconciliations</u> - The District did not perform bank reconciliations from October, 2008 through June, 2009.	Yes	N/A



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Berne Union Local School District
Fairfield County
506 North Main Street
Sugar Grove, Ohio 43155

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 10, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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

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

This report is intended solely for the information and use of the Board of Education of Berne Union Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
December 17, 2010

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Dave Yost • Auditor of State

BERNE UNION LOCAL SCHOOL DISTRICT

FAIRFIELD 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 15, 2011**