

**Berne Union Local School District
Fairfield County, Ohio**

Basic Financial Statements – Cash Basis

June 30, 2015

(with Independent Auditors' Report)



Dave Yost • Auditor of State

Board of Education
Berne Union Local School District
506 N Main St
Sugar Grove, OH 43155

We have reviewed the *Independent Auditor's Report* of the Berne Union Local School District, Fairfield County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2014 through June 30, 2015. 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.

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

Dave Yost
Auditor of State

February 25, 2016

This page intentionally left blank.

TABLE OF CONTENTS

Independent Auditors' Report	1-2
<u>Basic Financial Statements:</u>	
Management's Discussion and Analysis	4-14
Statement of Net Position – Cash Basis	15
Statement of Activities – Cash Basis.....	16
Statement of Cash Basis Assets and Fund Cash Balances – Governmental Funds.....	17
Reconciliation of Total Governmental Fund Cash Balances to Net Cash Position of Governmental Activities	18
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances –Governmental Funds	19
Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Receipts, Disbursements, and Changes in Fund Balance Budget and Actual – Budget Basis – General Fund	21
Statement of Fund Net Position – Cash Basis - Proprietary Funds	22
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Net Position – Proprietary Funds	23
Statement of Fiduciary Net Position – Cash Basis - Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds.....	25
Notes to the Basic Financial Statements.....	26-51
Schedule of the District's Proportionate Share of the Net Pension Liability.....	52
Schedule of District's Contributions	53
Schedule of Expenditures of Federal Awards.....	54
Notes to the Schedule of Expenditures of Federal Awards	55
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance as Required by OMB Circular A-133	58-59
Schedule of Findings and Questioned Costs.....	60-61
Schedule of Prior Audit Findings.....	62

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

14 east main street, ste. 500
springfield, oh 45502

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in cash financial position thereof, and the respective budgetary fund comparison for the General Fund, for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards (page 54) as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Management's Discussion and Analysis (pages 4-14), the Schedule of the District's Proportionate Share of the Net Pension Liability (page 52), and the Schedule of District's Contributions (page 53) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District's Contributions have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 15, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

BERNE UNION LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

(Unaudited)

The discussion and analysis of the Berne Union Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2015. 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

- ▶ Total net cash position of the District at June 30, 2015 is \$2,191,180. This balance was comprised of a \$271,392 balance in net position amounts restricted for specific purposes and a balance of \$1,919,788 in unrestricted net position.
- ▶ In total, net cash position of governmental activities increased by \$302,828, which represents a 16.23 percent increase from 2014. Net cash position of the business-type activities decreased \$58,110 which represents a 71.97 percent decrease from 2014.
- ▶ General receipts accounted for \$7,298,280 or 74.29 percent of all receipts of governmental activities. Program specific receipts in the form of charges for services and sales, operating grants and contributions accounted for \$2,525,331 or 25.71 percent of total receipts of \$9,823,611 for the governmental activities.
- ▶ The District had \$9,520,783 in disbursements related to governmental activities; only \$2,525,331 of these disbursements were offset by program specific charges for services and sales, operating grants or contributions. General receipts (primarily taxes and grants and entitlements) of \$7,298,280 were used to provide for the remainder of these programs.
- ▶ The District had \$132,976 in disbursements related to business-type activities; \$74,866 of these disbursements were offset by program specific charges for services and sales and carry over fund balance.
- ▶ The District recognizes one major governmental fund: the General 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 \$8,506,385 in receipts and \$8,354,600 in disbursements in fiscal year 2015.

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, as applicable to the District's cash basis of accounting, and are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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, 2015
(Unaudited)*

Reporting the District as a Whole

Government-Wide Financial Statements – Cash Basis

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and present all cash activity of the District, excluding that of the fiduciary funds. These statements include assets using the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting takes into account all of the current year's receipts and disbursements based on when cash is received or paid.

The statement of net position presents information on all of the District's cash and net position. Over time, increases and decreases in net position 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 District's net cash position changed during the recent fiscal year. All changes in net cash position are reported as cash is received or paid. Thus, receipts and disbursements are reported in this statement for some items that will only result in cash flows in the current fiscal period.

In both of the government-wide financial statements, the District's activities are 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 receipts including federal and state grants and other shared receipts.

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, 2015

(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 major governmental fund is the General 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 individually significant funds (major funds) with all others combined into one column. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using cash basis of accounting.

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. These funds are reported using the cash basis of accounting.

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 cash 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 and do not involve measurement of results of operations. Fiduciary funds use the cash basis of accounting.

BERNE UNION LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

(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 cash position provides the perspective of the District as a whole, showing cash and net cash position. Table 1 provides a summary of the District's net cash position for 2015 compared to fiscal year 2014:

Table 1
Net Cash Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cash Assets:						
Cash and Cash Equivalents	\$2,168,553	\$1,865,725	\$22,627	\$80,737	\$2,191,180	\$1,946,462
<i>Total Assets</i>	2,168,553	1,865,725	22,627	80,737	2,191,180	1,946,462
<u>Net Cash Position:</u>						
Restricted	271,392	331,662	0	0	271,392	331,662
Unrestricted	1,897,161	1,534,063	22,627	80,737	1,919,788	1,614,800
<i>Total Net Cash Position</i>	<u>\$2,168,553</u>	<u>\$1,865,725</u>	<u>\$22,627</u>	<u>\$80,737</u>	<u>\$2,191,180</u>	<u>\$1,946,462</u>

Total Cash and Cash Equivalents increased \$244,718 from fiscal year 2014. There was a significant decrease in disbursements from the prior year, while receipts increased from the prior year and overall, receipts outpaced disbursements during the year.

The District's largest portion of net position is unrestricted net cash position. Unrestricted net cash position represents resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$271,392 is restricted. The restricted net cash position is subject to external restrictions on how they may be used.

BERNE UNION LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Table 2 shows the changes in net cash position for fiscal year 2015 and provides a comparison to fiscal year 2014.

Table 2
Changes in Net Cash Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Receipts:</u>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$735,234	\$735,837	\$74,866	\$60,496	\$810,100	\$796,333
Operating Grants and Contributions	1,790,097	1,095,471	0	0	1,790,097	1,095,471
<i>General Receipts:</i>						
Property Taxes	3,000,305	2,948,274	0	0	3,000,305	2,948,274
Income Taxes	1,147,594	1,081,541	0	0	1,147,594	1,081,541
Unrestricted Grants and Entitlements	2,884,132	3,406,826	0	0	2,884,132	3,406,826
Investment Earnings	4,271	3,811	0	0	4,271	3,811
Inception of Capital Lease	178,310	0	0	0	178,310	0
Miscellaneous	83,668	83,802	0	0	83,668	83,802
<i>Total Receipts</i>	<u>9,823,611</u>	<u>9,355,562</u>	<u>74,866</u>	<u>60,496</u>	<u>9,898,477</u>	<u>9,416,058</u>

(Continued)

BERNE UNION LOCAL SCHOOL DISTRICT*Management's Discussion and Analysis**For the Fiscal Year Ended June 30, 2015**(Unaudited)*

Table 2
Changes in Net Cash Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<u>Disbursements</u>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,617,789	3,835,471	0	0	3,617,789	3,835,471
Special	1,471,991	1,572,545	0	0	1,471,991	1,572,545
Vocational	70,764	77,142	0	0	70,764	77,142
Student Intervention Services	11,071	89,928	0	0	11,071	89,928
<i>Support Services:</i>						
Pupils	288,582	294,319	0	0	288,582	294,319
Instructional Staff	222,144	479,178	0	0	222,144	479,178
Board of Education	21,363	20,878	0	0	21,363	20,878
Administration	914,292	900,212	0	0	914,292	900,212
Fiscal	338,735	331,822	0	0	338,735	331,822
Business	8,324	9,833	0	0	8,324	9,833
<i>Operation and Maintenance of</i>						
Plant	786,580	763,555	0	0	786,580	763,555
Pupil Transportation	781,497	726,798	0	0	781,497	726,798
Central	5,977	2,660	0	0	5,977	2,660
<i>Operation of Non-Instructional</i>						
<i>Services:</i>						
Food Services	252,001	302,395	0	0	252,001	302,395
Extracurricular Activities	208,507	261,679	0	0	208,507	261,679
Capital Outlay	178,310	0	0	0	178,310	0
<i>Debt Service:</i>						
Principal	319,969	469,408	0	0	319,969	469,408
Interest and Fiscal Charges	22,887	39,968	0	0	22,887	39,968
Preschool	0	0	132,976	23,837	132,976	23,837
Total Disbursements	9,520,783	10,177,791	132,976	23,837	9,653,759	10,201,628
Changes In Net Cash Position	302,828	(822,229)	(58,110)	36,659	244,718	(785,570)
Net Cash Position -Beginning of Year	1,865,725	2,687,954	80,737	44,078	1,946,462	2,732,032
Net Cash Position -End of Year	2,168,553	1,865,725	22,627	80,737	2,191,180	1,946,462

BERNE UNION LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

(Unaudited)

The most significant governmental activities program disbursements for the District are Regular Instruction, Special Instruction, Administration, Operation and Maintenance of Plant, and Pupil Transportation. These programs account for 79.53 percent of the total governmental activities. Regular Instruction, which accounts for 38.00 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 15.46 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 9.60 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 8.26 percent of the total, represents costs associated with operating and maintaining the District's facilities. Pupil Transportation, which represents 8.21 percent of the total cost, represents costs associated with transporting students to and from school, as well as to activities.

As noted previously, the net cash position for the governmental activities increased \$302,828 or 16.23 percent. This is an increase from last year when net cash position decreased \$822,229 or 30.59 percent. For the governmental activities, total receipts increased \$468,049 or 5.00 percent from last year and disbursements decreased \$657,008 or 6.46 percent from last year.

The District's governmental activities had an increase in program receipts of \$694,023, as well as a decrease in general receipts of \$225,974. The decrease in general receipts is primarily due to a decrease in unrestricted grants and the increase in programs receipts is mostly due to an increase in operating grants.

The total disbursements for governmental activities decreased primarily from a decrease of \$257,034 in instructional staff disbursements, a decrease of \$217,682 in regular instruction disbursements, and a decrease of \$149,439 in principal retirement.

The majority of the funding for the most significant programs indicated above is from property taxes and operating grants and entitlements. Property taxes and unrestricted grants and entitlements account for 59.9 percent of total receipts for governmental activities.

The net position for the business-type activities decreased \$58,110. The business-type activities had \$74,866 of program receipts and \$132,976 of program disbursements. For the business-type activities, total receipts increased \$14,370 or 23.75 percent from last year and disbursements increased \$109,139 or 457.86 percent from last year.

BERNE UNION LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

(Unaudited)

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 which was replaced by a 2.0 percent earned income tax replacement levy in May 2014.

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 30.54 percent and intergovernmental revenue (unrestricted and operating grants) made up 47.58 percent of the total revenue for the governmental activities in fiscal year 2015.

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 receipts consist of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2015, the District received \$3,430,450 through the State's foundation program, which represents 35.56 percent of the total receipts for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 54.32 percent of governmental activities program disbursements. Support services disbursements make up 35.37 percent of governmental activities program disbursements. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

Business-Type Activities

Business-type activities include the Preschool activities. This program had program receipts of \$74,866 and disbursements of \$132,976 for fiscal year 2015. All of the program receipts were from tuition and fees.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2015 and comparison to fiscal year 2014. 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	
	2015	2014	2015	2014
<u>Program Disbursements:</u>				
<i>Governmental Activities:</i>				
Instruction	\$5,171,615	\$5,575,086	\$3,670,426	\$4,247,388
Support Services	3,367,494	3,529,255	2,732,768	3,398,896
Operation of Non-Instructional Services	252,001	302,395	(58,677)	31,522
Extracurricular Activities	208,507	261,679	129,769	159,301
Capital Outlay	178,310	0	178,310	0
Principal	319,969	469,408	319,969	469,408
Interest and Fiscal Charges	22,887	39,968	22,887	39,968
<i>Business-Type Activities:</i>				
Preschool	132,976	23,837	58,110	(36,659)
Total Disbursements	<u>\$9,653,759</u>	<u>\$10,201,628</u>	<u>\$7,053,562</u>	<u>\$8,309,824</u>

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total receipts of \$9,645,301 and disbursements of \$9,553,786.

The total fund balance of governmental funds increased by \$269,825. The increase in fund balance for the year was most significant in the General Fund where there was an increase of \$330,095 or 22.58 percent, reflecting receipts that exceeded disbursements, which is the result of an increase in receipts and a decrease in disbursements. The increase in receipts is primarily due to increases in property taxes and income taxes.

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 2015, 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 supervisor's flexibility for site management.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

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 receipts were \$8,335,443 representing a \$217,877 increase from the original budget estimates. For the General Fund, the final budget basis disbursements were \$8,875,500 representing \$97,262 increase from the original budget estimates.

Debt Administration

At June 30, 2015, the District had \$362,317 in general obligation debt outstanding with \$118,470 due within one year. Table 4 summarizes the general obligation debt outstanding for fiscal year 2015 compared to fiscal year 2014.

Table 4
Outstanding Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2015</u>	<u>2014</u>
Refunding Bonds	\$0	\$145,000
Energy Loan	<u>362,317</u>	<u>476,181</u>
Total General Obligation Debt	<u>\$362,317</u>	<u>\$621,181</u>

More detailed information pertaining to the District's long-term debt activity can be found in Note 12 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 states funding 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 10 year earned income tax replacement levy of 2 percent in May 2014, for tax years 2015-2024. In fiscal year 2015, this generated \$1,147,593 in receipts for general operations. When fully implemented this will generate an estimated \$1,600,000 a year.

BERNE UNION LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

(Unaudited)

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.

The Ohio Legislature biennial budget for 2012 and 2013 included what they called a "Bridge" funding method. It was called that because it was intended to be a bridge to a completely new funding formula sometime in 2013 or 2014. With the passage of a new State Budget in late-June 2013, Ohio schools have their 4th new funding method since fiscal year 2009. The new formula completely changed the way in which Ohio public schools are funded. There are nine separate funding components, each uses a slightly different basis and enrollment in its calculation. The overriding change however is there is no longer a property valuation and millage based local share or "charge-off". A district's local share is determined first and then used throughout the various components. During this two-year budget, there is still a minimum guarantee amount based on a district funding in fiscal year 2013. Added is now a "cap" or maximum increase from one year to the next. In fiscal year 2014 the cap is 6.25% which increased to 10.5% in fiscal year 2015. A new state two-year budget will begin in fiscal year 2016. It is currently our understanding that the existing formula may be modified but we are not expecting a completely new funding model.

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 Kirk Grandy, 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 Position - Cash Basis

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Cash Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,102,019	\$22,627	\$2,124,646
Cash and Cash Equivalents with Fiscal Agent	66,534	0	66,534
<i>Total Assets</i>	<u>2,168,553</u>	<u>22,627</u>	<u>2,191,180</u>
<u>Net Cash Position:</u>			
<i>Restricted for:</i>			
Debt Service	45,014	0	45,014
Other Purposes	226,378	0	226,378
Unrestricted	<u>1,897,161</u>	<u>22,627</u>	<u>1,919,788</u>
<i>Total Net Cash Position</i>	<u><u>\$2,168,553</u></u>	<u><u>\$22,627</u></u>	<u><u>\$2,191,180</u></u>

See accompanying notes to the basic financial statements

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2015

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>						
<i>Instruction:</i>						
Regular	\$3,617,789	\$552,369	\$114,006	(\$2,951,414)	\$0	(\$2,951,414)
Special	1,471,991	504	817,208	(654,279)	0	(654,279)
Vocational	70,764	0	6,039	(64,725)	0	(64,725)
Student Intervention Services	11,071	0	11,063	(8)	0	(8)
<i>Support Services:</i>						
Pupils	288,582	0	0	(288,582)	0	(288,582)
Instructional Staff	222,144	0	232,746	10,602	0	10,602
Board of Education	21,363	0	0	(21,363)	0	(21,363)
Administration	914,292	0	0	(914,292)	0	(914,292)
Fiscal	338,735	0	0	(338,735)	0	(338,735)
Business	8,324	0	0	(8,324)	0	(8,324)
Operation and Maintenance of Plant	786,580	0	0	(786,580)	0	(786,580)
Pupil Transportation	781,497	0	398,380	(383,117)	0	(383,117)
Central	5,977	0	3,600	(2,377)	0	(2,377)
<i>Operation of Non-Instructional Services:</i>						
Food Service	252,001	103,623	207,055	58,677	0	58,677
Extracurricular Activities	208,507	78,738	0	(129,769)	0	(129,769)
Capital Outlay	178,310	0	0	(178,310)	0	(178,310)
<i>Debt Service:</i>						
Principal	319,969	0	0	(319,969)	0	(319,969)
Interest and Fiscal Charges	22,887	0	0	(22,887)	0	(22,887)
Total Governmental Activities	9,520,783	735,234	1,790,097	(6,995,452)	0	(6,995,452)
<u>Business-Type Activities:</u>						
Preschool	132,976	74,866	0	0	(58,110)	(58,110)
Total Business-Type Activities	132,976	74,866	0	0	(58,110)	(58,110)
Totals	\$9,653,759	\$810,100	\$1,790,097	(6,995,452)	(58,110)	(7,053,562)
<u>General Cash Receipts:</u>						
<i>Property Taxes Levied for:</i>						
General Purposes				2,958,008	0	2,958,008
Capital Outlay				42,297	0	42,297
Income Taxes Levied for General Purposes				1,147,594	0	1,147,594
Grants and Entitlements not Restricted to Specific Programs				2,884,132	0	2,884,132
Investment Earnings				4,271	0	4,271
Inception of Capital Lease				178,310	0	178,310
Miscellaneous				83,668	0	83,668
Total General Cash Receipts				7,298,280	0	7,298,280
Changes in Net Cash Position				302,828	(58,110)	244,718
<i>Net Cash Position at Beginning of Year</i>				1,865,725	80,737	1,946,462
<i>Net Cash Position at End of Year</i>				\$2,168,553	\$22,627	\$2,191,180

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Cash Basis Assets and Fund Cash Balances
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
<u>Cash Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,791,750	\$271,392	\$2,063,142
<i>Total Cash Assets</i>	\$1,791,750	\$271,392	\$2,063,142
<u>Fund Cash Balances:</u>			
Nonspendable	\$741	\$0	\$741
Restricted	0	271,392	271,392
Assigned	925,342	0	925,342
Unassigned	865,667	0	865,667
<i>Total Fund Cash Balances</i>	\$1,791,750	\$271,392	\$2,063,142

See accompanying notes to the basic financial statements

BERNE UNION LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Cash Balances to
Net Cash Position of Governmental Activities
June 30, 2015*

Total Governmental Fund Cash Balances	\$2,063,142
--	-------------

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

<u>105,411</u>

Net Cash Position of Governmental Activities

<u><u>\$2,168,553</u></u>

See accompanying notes to the basic financial statements

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
<u>Cash Receipts:</u>			
Property Taxes	\$2,958,008	\$42,297	\$3,000,305
Income Tax	1,147,594	0	1,147,594
Intergovernmental	3,750,520	922,877	4,673,397
Interest	4,271	0	4,271
Tuition and Fees	552,369	0	552,369
Extracurricular Activities	10,004	69,238	79,242
Customer Sales and Services	0	103,623	103,623
Miscellaneous	83,619	881	84,500
<i>Total Cash Receipts</i>	<u>8,506,385</u>	<u>1,138,916</u>	<u>9,645,301</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	3,525,213	108,865	3,634,078
Special	1,032,966	444,021	1,476,987
Vocational	71,193	0	71,193
Student Intervention Services	0	11,071	11,071
<i>Support Services:</i>			
Pupils	289,653	0	289,653
Instructional Staff	123,790	98,790	222,580
Board of Education	21,418	0	21,418
Administration	901,981	15,935	917,916
Fiscal	338,605	1,073	339,678
Business	8,324	0	8,324
Operation and Maintenance of Plant	732,741	55,448	788,189
Pupil Transportation	784,178	0	784,178
Central	1,437	4,540	5,977
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	0	252,001	252,001
Extracurricular Activities	150,560	58,817	209,377
Capital Outlay	178,310	0	178,310
<i>Debt Service:</i>			
Principal Retirement	174,969	145,000	319,969
Interest and Fiscal Charges	19,262	3,625	22,887
<i>Total Cash Disbursements</i>	<u>8,354,600</u>	<u>1,199,186</u>	<u>9,553,786</u>
<u>Other Financing Sources (Uses):</u>			
Inception of Capital Lease	178,310	0	178,310
<i>Total Other Financing Sources (Uses)</i>	<u>178,310</u>	<u>0</u>	<u>178,310</u>
<i>Net Changes in Fund Cash Balances</i>	330,095	(60,270)	269,825
<i>Fund Cash Balances at Beginning of Year</i>	<u>1,461,655</u>	<u>331,662</u>	<u>1,793,317</u>
<i>Fund Cash Balances at End of Year</i>	<u>\$1,791,750</u>	<u>\$271,392</u>	<u>\$2,063,142</u>

See accompanying notes to the basic financial statements

BERNE UNION LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes
in Fund Cash Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Cash Balances - Total Governmental Funds \$269,825

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

33,003

Change in Net Cash Position of Governmental Activities

\$302,828

See accompanying notes to the basic financial statements

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Receipts, Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Receipts:</u>				
Property Taxes	\$2,880,690	\$2,958,008	\$2,958,008	\$0
Income Tax	1,117,597	1,147,594	1,147,594	0
Intergovernmental	3,569,920	3,665,737	3,750,520	84,783
Interest	3,852	3,955	4,271	316
Tuition and Fees	498,150	511,520	545,383	33,863
Extracurricular Activities	9,154	9,400	9,500	100
Miscellaneous	38,203	39,229	39,540	311
<i>Total Receipts</i>	<u>8,117,566</u>	<u>8,335,443</u>	<u>8,454,816</u>	<u>119,373</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,577,214	3,655,483	3,514,657	140,826
Special	1,374,100	1,399,662	1,047,850	351,812
Vocational	73,872	73,870	71,193	2,677
<i>Support Services:</i>				
Pupils	318,530	292,975	291,680	1,295
Instructional Staff	177,753	172,863	134,560	38,303
Board of Education	22,247	22,246	21,782	464
Administration	999,965	1,023,845	875,394	148,451
Fiscal	346,691	346,691	361,796	(15,105)
Business	11,535	11,535	13,323	(1,788)
Operation and Maintenance of Plant	843,891	843,890	1,000,672	(156,782)
Pupil Transportation	742,061	742,062	886,052	(143,990)
Central	180	180	1,437	(1,257)
Extracurricular Activities	157,073	157,072	150,560	6,512
<i>Debt Service:</i>				
Principal Retirement	118,470	113,864	113,864	0
Interest and Fiscal Charges	14,656	19,262	19,262	0
<i>Total Disbursements</i>	<u>8,778,238</u>	<u>8,875,500</u>	<u>8,504,082</u>	<u>371,418</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(660,672)	(540,057)	(49,266)	490,791
<u>Other Financing Uses:</u>				
Transfers Out	(776,658)	(897,273)	0	897,273
<i>Total Other Financing Uses</i>	<u>(776,658)</u>	<u>(897,273)</u>	<u>0</u>	<u>897,273</u>
<i>Net Change in Fund Balances</i>	(1,437,330)	(1,437,330)	(49,266)	1,388,064
<i>Fund Balance at Beginning of Year</i>	1,095,502	1,095,502	1,095,502	0
<i>Prior Year Encumbrances Appropriated</i>	341,828	341,828	341,828	0
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$1,388,064</u>	<u>\$1,388,064</u>

See accompanying notes to the basic financial statements

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Fund Net Position - Cash Basis

Proprietary Funds

June 30, 2015

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Other Enterprise</u>	<u>Internal Service</u>
<u>Cash Assets:</u>		
<i>Current Cash Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$22,627	\$38,877
Cash and Cash Equivalents with Fiscal Agent	<u>0</u>	<u>66,534</u>
<i>Total Cash Assets</i>	<u>22,627</u>	<u>105,411</u>
<u>Net Cash Position:</u>		
Unrestricted	<u>22,627</u>	<u>\$105,411</u>
<i>Total Net Cash Position</i>	<u><u>\$22,627</u></u>	<u><u>\$105,411</u></u>

See accompanying notes to the basic financial statements

BERNE UNION LOCAL SCHOOL DISTRICT
*Statement of Cash Receipts, Cash
Disbursements and Changes in Cash Basis Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015*

	Business-Type Activities	Governmental Activities
	Other Enterprise	Internal Service
<u>Operating Cash Receipts:</u>		
Tuition	\$74,866	\$0
Charges for Services	0	1,201,759
<i>Total Operating Cash Receipts</i>	74,866	1,201,759
<u>Operating Cash Disbursements:</u>		
Salaries	95,134	0
Fringe Benefits	18,552	0
Purchased Services	1,620	0
Materials and Supplies	17,670	0
Claims	0	1,168,756
<i>Total Operating Cash Disbursements</i>	132,976	1,168,756
<i>Operating Income(Loss)</i>	(58,110)	33,003
<i>Net Cash Position at Beginning of Year</i>	80,737	72,408
<i>Net Cash Position at End of Year</i>	<u>\$22,627</u>	<u>\$105,411</u>

See accompanying notes to the basic financial statements

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
<u>Cash Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,268	\$19,147
<u>Net Cash Position:</u>		
Held in Trust for Scholarships	1,268	0
Unrestricted	0	19,147
<i>Total Net Cash Position</i>	\$1,268	\$19,147

See accompanying notes to the basic financial statements

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	<u>Private Purpose Trust</u>
<i>Additions</i>	\$0
<i>Deductions</i>	<u>0</u>
<i>Change in Net Cash Position</i>	0
<i>Net Cash Position at Beginning of Year</i>	<u>1,268</u>
<i>Net Cash Position at End of Year</i>	<u><u>\$1,268</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, 2015*

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 37 non-certificated employees, 60 certificated full-time teaching personnel and 4 administrative employees who provide services to 950 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 17 and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with a comprehensive basis of accounting (OCBOA) other than generally accepted accounting principles as applied to governmental units. As discussed further in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. 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, 2015*

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 position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the 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" receipts and disbursements. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net position presents the cash position of the governmental activities and business-type activities of the District at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the District's governmental activities and business-type activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts 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, 2015*

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. The difference between governmental fund assets and liabilities is reported as fund cash balance.

The following is the District's major governmental fund:

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.

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

Proprietary Funds

Proprietary funds may be classified as either enterprise or internal service funds. 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

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.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared measuring receipts and disbursements when cash is received or paid.

Fund Financial Statements

Only cash is included on the balance sheet. The statement of cash receipts, cash disbursements and changes in fund cash balance reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of cash.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, governmental funds, proprietary and fiduciary fund financial statements are prepared using the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

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.

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 2015 amounted to \$4,271, which includes \$954 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 the cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

G. 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.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

I. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

J. Long-Term Obligations

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal and interest payments.

K. Pension

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

L. Net Cash Position

Net cash position 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.

The District first applies restricted resources when a disbursement is paid for purposes for which both restricted and unrestricted net position is available.

M. Fund Cash Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

Assigned – amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

N. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary fund. For the District, these receipts are tuition for the preschool program and charges for services for the self-insurance program. Operating disbursements are necessary costs incurred to run the preschool and to provide the self-insurance service that are the primary activities of the funds. Receipts and disbursements not meeting these definitions are reported as nonoperating.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements.

P. 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.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts 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 2015.

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 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2015, the District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions made Subsequent to the Measurement Date". The implementation of GASB Statements Nos. 68, 69, and 71 had no effect on the prior period fund balances of the District.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual (budgetary basis) presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The differences between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash) and some funds are included in the General Fund on the cash basis but not on the budgetary basis.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statement:

	<u>Net Change in Fund Cash Balance</u>
	<u>General</u>
Cash Basis	\$330,095
Adjustment for encumbrances	(383,458)
Funds budgeted elsewhere**	4,097
Budget Basis	<u><u>(\$49,266)</u></u>

**As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis.

NOTE 5 - 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 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, 2015*

NOTE 5 - 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 bankers 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, 2015*

NOTE 5 - 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, 2015, the carrying amount of all District deposits was \$2,211,595, which includes \$66,534 cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2015, \$2,121,313 of the District's bank balance of \$2,371,313 was exposed to custodial credit risk as discussed above while \$250,000 was covered by Federal Depository Insurance. The \$2,121,313 exposed to custodial risk was collateralized with securities held by the pledging financial institution or its agent in the District's name.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2014 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.

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.

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, 2015 are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 6 - PROPERTY TAXES- (Continued)

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second - Half Collections		2015 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$94,598,900	77.31%	\$94,364,560	76.28%
Public Utility Personal	27,756,580	22.69%	29,345,160	23.72%
Total Assessed Value	\$122,355,480	100.00%	\$123,709,720	100.00%
Total rate per \$1,000 of assessed valuation	\$44.40		\$44.40	

NOTE 7 - INCOME TAX

The District levied a voted tax of 2.00 percent for their period 1/1/2015 through 6/30/2015 and 1.00 percent for the period 7/1/2014 to 12/31/2014 for general operations on the earned income of residents. The replacement tax became effective on January 1, 2015. The income tax was increased from 1.00 percent to 2.00 percent by voters in 2014 and continues for 10 years (expires December 31, 2024) as well as changing from a traditional tax base to an earned income tax base. Employers of residents are required to withhold income tax on earned income 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 receipts of \$1,147,594 are credited to the General Fund for fiscal year 2015.

NOTE 8 - 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 2015, the District contracted with Hylant Administrative Services for professional and general liability insurance, fleet insurance and property insurance. Coverage's provided are as follows:

Building/Contents and Boiler/Machinery Building/Contents	\$38,028,418
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	25,000
Board President	25,000

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 8 - RISK MANAGEMENT – (Continued)

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 2015, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP) (the Plan), an insurance purchasing pool (Note 17). 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.

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. 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.

A comparison of self-insurance fund cash and investment to the actuarially-measured liability as of June 30 (the latest information year available) follows:

	Cash and Investment	Actuarial Liabilities
2013	\$ 26,138,536	\$ 3,563,000
2014	22,947,287	4,192,200

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$168,835 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The District's contractually required contribution to STRS was \$434,533 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,927,612	\$8,099,343	\$10,026,955
Proportion of the Net Pension Liability	0.038088%	0.0332985%	

Actuarial Assumptions - SERS

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

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,750,129	\$1,927,612	\$1,235,804

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$11,595,092	\$8,099,343	\$5,143,115

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 10 - POSTEMPLOYMENT BENEFITS

School Employee Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS 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 HMOs, PPOs, Medicare Advantage 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is 0.82 percent. An addition 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. By statute no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$20,748, \$19,272 and \$26,453, respectively.

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 plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – State Teachers Retirement System of Ohio (STRS Ohio) administers a pension plan that is comprised of: a Defined Benefits Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefits Plan and the Defined Contribution Plan.

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 Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$36,951 and \$38,047, respectively.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

NOTE 11 - 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 250 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 12 - LONG-TERM OBLIGATIONS

The changes in the District's long-term liabilities during fiscal year 2015 were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at June 30, 2015</u>	<u>Amount Due In One Year</u>
<i>Governmental Activities:</i>							
Energy Loan	2007	3.99%	\$476,181	\$0	\$113,864	\$362,317	\$118,470
Refunding Bonds	2006	3.50%	145,000	0	145,000	0	0
Premium on Refunding Bonds			16,849	0	16,849	0	0
Capital Lease			20,755	178,310	102,615	117,205	57,783
Total Governmental Activities Long-Term Obligations			<u>\$ 658,785</u>	<u>\$178,310</u>	<u>\$378,328</u>	<u>\$479,522</u>	<u>\$176,253</u>

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 General Fund using amounts from energy savings.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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 were 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.

The District's overall legal debt margin was \$10,837,838 with an unvoted debt margin of \$123,710 at June 30, 2015.

The annual requirements to retire the general obligation debt outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Energy Loan	
	Principal	Interest
2016	\$118,470	\$14,656
2017	123,235	9,891
2018	120,612	4,850
Total Debt	<u>\$362,317</u>	<u>\$29,397</u>

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

The District entered into capital lease for buses in the amount of \$178,310. This lease meets the criteria of a capital lease which is defined as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the budgetary statement.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2015:

<u>Fiscal Year Ending June 30</u>	<u>Total Payments</u>
2016	\$61,105
2017	<u>61,105</u>
Total	122,210
Less: Amount Representing Interest	<u>(5,005)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$117,205</u></u>

NOTE 14 - FUND CASH BALANCES

As of June 30, 2015, fund cash balances are composed of the following:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>			
Unclaimed Monies	\$741	\$0	\$741
<i>Restricted:</i>			
Debt Service	0	45,014	45,014
Facilities Maintenance	0	38,964	38,964
State Grants	0	18,047	18,047
Federal Grants	0	13,713	13,713
Food Service	0	136,044	136,044
Athletics/Band	0	19,610	19,610
<i>Total Restriced</i>	<u>0</u>	<u>271,392</u>	<u>271,392</u>
<i>Assigned:</i>			
Future Appropriations	522,397	0	522,397
Uniform School Supplies	2,552	0	2,552
Public School Support	16,935	0	16,935
Student Instruction	17,155	0	17,155
Student and Staff Support	366,303	0	366,303
<i>Total Assigned</i>	<u>925,342</u>	<u>0</u>	<u>925,342</u>
<i>Unassigned</i>	<u>865,667</u>	<u>0</u>	<u>865,667</u>
Total Fund Balances	<u><u>\$1,791,750</u></u>	<u><u>\$271,392</u></u>	<u><u>\$2,063,142</u></u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 15 - 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 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.

The following changes occurred in the District set-aside reserve accounts during fiscal year 2015:

	<u>Capital Acquisition</u>
Set-Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirement	145,963
Qualifying Disbursements	<u>(161,063)</u>
Totals	<u>(15,100)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

Excess of qualified expenditures for capital improvements do not carry forward.

NOTE 16 - ENCUMBRANCE COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
General Fund	\$383,458
Nonmajor governmental funds	<u>80,744</u>
Total	<u><u>\$464,202</u></u>

NOTE 17 - 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.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS- (Continued)

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.

NOTE 18 - 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 19 - 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

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

C. School Foundation

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

NOTE 20 - SUBSEQUENT EVENTS

On July 6, 2015 the Board of Education approved the issuance of Energy Conservation Notes in the amount of \$435,000.

BERNE UNION LOCAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of Net Pension Liability
Last Two Fiscal Years (1)

	<u>2013</u>	<u>2014</u>
<u>School Employees Retirement System of Ohio</u>		
District's Proportion of the Net Pension Liability (Asset)	0.038088%	0.038088%
District's Proportionate Share of the Net Pension Liability (Asset)	\$1,927,612	\$2,264,971
District's Covered-Employee Payroll	\$1,117,937	\$1,122,175
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered-Employee Payroll	172.43%	201.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.52%	71.70%
<u>State Teachers Retirement System of Ohio</u>		
District's Proportion of the Net Pension Liability (Asset)	0.032985%	0.032985%
District's Proportionate Share of the Net Pension Liability (Asset)	\$8,099,343	\$9,647,884
District's Covered-Employee Payroll	\$3,663,892	\$3,772,523
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered-Employee Payroll	221.06%	255.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

BERNE UNION LOCAL SCHOOL DISTRICT
Schedule of the District Contributions
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>School Employees Retirement System of Ohio</u>			
Contractually Required Contributions	\$168,835	\$154,946	\$155,309
Contributions in Relation to the Contractually Required Contributions	<u>(168,835)</u>	<u>(154,946)</u>	<u>(155,309)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$1,218,146	\$1,117,937	\$1,122,175
Contributions as a Percentage of Covered-Employee Payroll	13.86%	13.86%	13.84%
<u>State Teachers Retirement System of Ohio</u>			
Contractually Required Contributions	\$434,533	\$476,306	\$490,428
Contributions in Relation to the Contractually Required Contributions	<u>(434,533)</u>	<u>(476,306)</u>	<u>(490,428)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$3,103,507	\$3,663,892	\$3,772,523
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

Berne Union Local School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Year</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	10.555	2015	\$ 15,648	15,648
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2015	30,906	30,906
National School Lunch Program	10.555	2015	<u>171,023</u>	<u>171,023</u>
<i>Cash Assistance Subtotal</i>			<u>201,929</u>	<u>201,929</u>
Nutrition Cluster Total			<u>217,577</u>	<u>217,577</u>
Total U.S. Department of Agriculture			<u>217,577</u>	<u>217,577</u>
 <u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	84.010	2014	18,022	18,034
		2015	<u>241,231</u>	<u>241,231</u>
			259,253	259,265
Special Education Cluster:				
Special Education - Grants to States	84.027	2014	53,462	55,216
		2015	145,280	131,567
Special Education - Preschool Grant	84.173	2015	<u>2,664</u>	<u>2,664</u>
Special Education Cluster Total			201,406	189,447
Improving Teacher Quality State Grants	84.367	2015	37,842	37,842
21st Century Community Learning Center Program	84.287	2014	11,047	11,071
Rural Education	84.358	2015	<u>15,935</u>	<u>15,935</u>
Total U.S. Department of Education			<u>525,483</u>	<u>513,560</u>
Total Federal Awards			\$ <u><u>743,060</u></u>	<u><u>731,137</u></u>

See notes to the Schedule of Expenditures of Federal Awards.

1. Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is a summary of the federal awards programs of the Berne Union Local School District. This schedule has been prepared on the cash basis of accounting.

2. U.S. Department of Agriculture Programs:

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. When reporting expenditures on the schedule of expenditures of federal awards, it is assumed federal monies are expended first.

3. Food Commodities Program:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. At June 30, 2015 the District had no significant food commodities in inventory.

4. Matching Requirements:

Certain federal programs require the District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2015, wherein we noted the District prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control of financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

14 east main street, ste. 500
springfield, oh 45502

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 15, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Berne Union Local School District (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

14 east main street, ste. 500
springfield, oh 45502

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 15, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? None noted

Identification of major programs:

Nutrition Cluster:

- CFDA 10.553 – School Breakfast Program
- CFDA 10.555 – School Lunch Program

CFDA 84.010 – Title I Grants to Local Educational Agencies

Dollar threshold to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

SECTION II – FINANCIAL STATEMENT FINDINGS

2015-001: Reporting Annual Financial Statements

Condition: The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

Criteria: Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

Effect: Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with GAAP.

Cause: Due to current economic issues, the District elected to prepare and submit its annual financial report on the cash basis of accounting as a means to realize savings in accounting and auditing fees on an annual basis. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Recommendation: We recommend the District further consider reporting its annual financial report in accordance with GAAP to include all assets, liabilities and disclosures to provide a complete presentation of its financial status.

Management Response: The School District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles is cost beneficial.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted

Finding 2014-001: Reporting Annual Financial Statements

The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP). Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

Status: Uncorrected; see current audit finding 2015-001



At Clark Schaefer Hackett, we believe there's a difference between providing accounting services and actually serving you. One is about numbers, the other is about relationships. We strive to create remarkable relationships The CSH Way: by building trust, offering guidance, delivering desired outcomes, and providing vision to help you achieve your goals.

cincinnati | cleveland | columbus | miami valley | northern kentucky | springfield | toledo

www.cshco.com



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 17, 2016**