

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

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

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

FRIEDA CYRUS, TREASURER



Mary Taylor, CPA
Auditor of State

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

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 3, 2010

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	21
Statement of Net Assets - Proprietary Fund	22
Statement of Revenues, Expenses and Change in Net Assets - Proprietary Fund.....	23
Statement of Cash Flows - Proprietary Fund.....	24
Statement of Fiduciary Net Assets - Fiduciary Funds	25
Statement of Changes in Fiduciary Net Assets	26
Notes to the Basic Financial Statements.....	27 - 51
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards	52
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>	53 - 54
Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	55 - 56
Schedule of Findings and Responses <i>OMB Circular A-133 § .505</i>	57 - 58



Julian & Grube, Inc. *Serving Ohio Local Governments*

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berne Union Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2009 which collectively comprise Berne Union Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Berne Union Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Berne Union Local School District, Fairfield County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, on our consideration of Berne Union Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

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

Julian & Grube, Inc.
December 7, 2009

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

The discussion and analysis of the Berne Union Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2009. 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.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- ▶ The assets of Berne Union Local School District exceeded its liabilities at June 30, 2009 by \$8,129,579. This balance was comprised of a \$6,169,156 balance in capital assets net of related debt and net asset amounts restricted for specific purposes and a balance of \$1,960,423 in unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$305,638, which represents a 3.91 percent increase from 2008.
- ▶ General revenues accounted for \$7,176,836 or 76.87 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,159,452 or 23.13 percent of total revenues of \$9,336,288.
- ▶ The District had \$9,030,650 in expenses related to governmental activities; only \$2,159,452 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$7,176,836 were used to provide for the remainder of these programs.
- ▶ The District recognizes two major governmental funds: the General Fund and the Bond Retirement Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$7,933,189 in revenues and \$8,100,411 in expenditures in fiscal year 2009.

Using this Annual Report

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's two major governmental funds are the General Fund and Bond Retirement Fund.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

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

Proprietary Funds

The District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the District reports it as a proprietary fund using the accrual basis of accounting. The internal service fund is included with governmental activities on the government-wide financial statements.

Fiduciary Funds

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

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.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2009 compared to fiscal year 2008:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	2009	2008
<u>Assets:</u>		
Current and Other Assets	\$7,206,544	\$7,059,967
Capital Assets, Net	8,284,403	8,433,243
<i>Total Assets</i>	<u>15,490,947</u>	<u>15,493,210</u>
<u>Liabilities:</u>		
Long-Term Liabilities	3,510,600	4,037,627
Other Liabilities	3,850,768	3,631,642
<i>Total Liabilities</i>	<u>7,361,368</u>	<u>7,669,269</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	5,278,945	4,907,953
Restricted	890,211	877,704
Unrestricted	1,960,423	2,038,284
<i>Total Net Assets</i>	<u>\$8,129,579</u>	<u>\$7,823,941</u>

Current and other assets increased \$146,577 or 2.08 percent from fiscal year 2008 due primarily to increase in cash with fiscal agent. Capital assets decreased by \$148,840 or 1.76 percent due to current year depreciation that exceeded additions to buildings and equipment.

Current (other) liabilities increased by \$219,126 or 6.03 percent due mostly to an increase in deferred revenue related to property taxes receivable and an increase in claims payable.

Long-term liabilities decreased \$527,027 due to scheduled payments made on outstanding debt.

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

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

The remaining balance of \$1,960,423 is unrestricted. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

Table 2 shows the changes in net assets for fiscal year 2009 and provides a comparison to fiscal year 2008.

Table 2
Changes in Net Assets

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
<u>Revenues:</u>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$952,480	\$1,049,698
Operating Grants and Contributions	1,206,972	1,325,640
<i>General Revenues:</i>		
Property Taxes	2,867,427	3,134,108
Income Taxes	967,079	857,583
Unrestricted Grants and Entitlements	3,218,834	3,312,626
Investment Earnings	49,811	160,191
Miscellaneous	<u>73,685</u>	<u>71,713</u>
<i>Total Revenues</i>	<u>9,336,288</u>	<u>9,911,559</u>
<u>Expenses:</u>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	3,738,952	3,795,548
Special	1,119,375	1,193,780
Vocational	127,534	140,371
Student Intervention Services	35,599	0

(Continued)

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

Table 2
Changes in Net Assets

	<u>2009</u>	<u>2008</u>
<i>Support Services:</i>		
Pupils	249,647	255,611
Instructional Staff	532,939	580,306
Board of Education	13,382	22,879
Administration	872,836	1,064,921
Fiscal	299,157	244,764
Business	5,406	5,909
Operation and Maintenance of Plant	813,905	931,002
Pupil Transportation	596,099	581,286
Central	25,827	61,456
<i>Operation of Non-Instructional Services:</i>		
Food Service	259,066	278,431
Other	616	0
Extracurricular Activities	260,453	282,346
Interest and Fiscal Charges	<u>79,857</u>	<u>116,236</u>
<i>Total Expenses</i>	<u>9,030,650</u>	<u>9,554,846</u>
<i>Change in Net Assets</i>	305,638	356,713
Net Assets – Beginning of Year	<u>7,823,941</u>	<u>7,467,228</u>
Net Assets – End of Year	<u>\$8,129,579</u>	<u>\$7,823,941</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

The most significant program expenses for the District are Regular Instruction, Special Instruction, Administration, Operation and Maintenance of Plant, and Pupil Transportation. These programs account for 79.08 percent of the total governmental activities. Regular Instruction, which accounts for 41.40 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 12.40 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 9.67 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 9.01 percent of the total, represents costs associated with operating and maintaining the District's facilities. Pupil Transportation, which represents 6.60 percent of the total cost, represents costs associated with providing transportation services for students between home and school, and to school activities.

As noted previously, the net assets for the governmental activities increased \$305,638 or 3.91 percent. This is an increase over last year when net assets increased \$356,713 or 4.78 percent. Total revenues decreased \$575,271 or 5.80 percent from last year and expenses decreased \$524,196 or 5.49 percent from last year.

The District had program revenue decreases of \$215,886, as well as decreases in general revenues of \$359,385. The decrease in program revenues is mostly due to the District not receiving additional program grants during fiscal year 2009. There were two significant decreases in general revenues. Property taxes decreased \$266,681 and investment earnings decreased \$110,380.

The total expenses for governmental activities decreased due to a decrease of \$192,085 in administration expenses and a decrease of \$117,097 in operation and maintenance of plant expenses.

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs account for 65.19 percent of total revenues.

Governmental Activities

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

The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 30.71 percent and intergovernmental revenue made up 47.40 percent of the total revenue for the governmental activities in fiscal year 2009.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

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

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2009, the District received \$3,389,861 through the State's foundation program, which represents 36.31 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 55.60 percent of governmental activities program expenses. Support services expenses make up 37.75 percent of governmental activities program expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2009 and comparison to fiscal year 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
<i>Program Expenses:</i>				
Instruction	\$5,021,460	\$5,129,699	\$3,555,554	\$3,642,931
Support Services	3,409,198	3,748,134	3,054,188	3,297,297
Operation of Non-Instructional Services	259,682	278,431	215	(352)
Extracurricular Activities	260,453	282,346	181,384	123,396
Interest and Fiscal Charges	79,857	116,236	79,857	116,236
Total Expenses	<u>\$9,030,650</u>	<u>\$9,554,846</u>	<u>\$6,871,198</u>	<u>\$7,179,508</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$9,423,782 and expenditures and other financing uses of \$9,884,147.

Total governmental funds fund balance decreased by \$460,365. The decrease in fund balance for the year was most significant in the General Fund, a decrease of \$300,348 reflecting expenditures for general operations exceeded revenues received.

Budget Highlights - General Fund

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

During the course of fiscal year 2009, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

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

For the General Fund, the final budget basis revenue was \$8,126,070 representing a decrease of \$77,430 or 0.94 percent from the original budget estimates of \$8,203,500. For the General Fund, the final budget basis expenditures were \$9,162,342 representing an increase of \$209,229 or 2.34 percent from the original budget estimates of \$8,953,113.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$13.4 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$5.1 million. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008.

BERNE UNION LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Table 4
Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	2009	2008
<i>Nondepreciable Capital Assets:</i>		
Land	\$410,820	\$410,820
<i>Depreciable Capital Assets:</i>		
Land Improvements	642,920	554,920
Buildings and Improvements	10,938,965	10,845,934
Furniture, Fixtures and Equipment	689,393	648,761
Vehicles	748,176	748,176
<i>Total Capital Assets</i>	<u>13,430,274</u>	<u>13,208,611</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	348,855	320,611
Buildings and Improvements	4,132,478	3,850,988
Furniture, Fixtures and Equipment	390,458	359,616
Vehicles	274,080	244,153
<i>Total Accumulated Depreciation</i>	<u>5,145,871</u>	<u>4,775,368</u>
Capital Assets, Net	<u>\$8,284,403</u>	<u>\$8,433,243</u>

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

Debt Administration

At June 30, 2009, the District had \$2,895,967 in general obligation debt outstanding with \$355,667 due within one year. Table 5 summarizes the general obligation debt outstanding for fiscal year 2009 compared to fiscal year 2008.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2009	2008
Refunding Bonds	\$1,970,000	\$2,330,000
Energy Loan	925,967	1,055,000
Total General Obligation Debt	<u>\$2,895,967</u>	<u>\$3,385,000</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

More detailed information pertaining to the District's long-term debt activity can be found in 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 Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, the Court has in effect decided that they have, barring another lawsuit, completed their responsibility in the case. Ending the high court's involvement has left Ohio with a school funding system that has been determined to be unconstitutional but failed to provide the framework to fix it. At this time there can be no reasonable estimate of the impact on school funding.

The State of Ohio is in an economic recession. The state biennium budget that was signed by Governor Strickland made education a priority and education was spared deep budget cuts extended to other state agencies. The budget was balanced assuming approximately \$900 million dollars of revenue would be generated by the placement of video lottery terminals in Ohio's seven race tracks. The placement of these machines has been blocked; therefore, this revenue will not be generated during the current budget. Legislation has been proposed that would "freeze" a 4.2% Ohio Income Tax rate reduction in the current taxing year. This revenue would be used to replace the funds proposed from video lottery terminals. If the rate reduction is not approved, it is inevitable that additional state budget reductions will occur. Education funding will not be spared if additional state budget cuts are required. The District will continue to rely on conservative financial planning and cost containment while pursuing new revenue sources.

The Berne Union Local School District does not anticipate any meaningful growth or loss in revenue as a result of these changes. 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.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)*

Over the past few years the District has experienced a loss in property parcels due to the construction of the State Route 33 By-Pass and the corresponding land purchases by the State of Ohio. Residential/agricultural property contributes 80.43 percent of the District's real estate valuation.

The District voters approved an income tax levy of 1 percent in May 2006. This levy will generate approximately \$670,000 per year in revenue for general operations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Frieda Cyrus, Treasurer of Berne Union Local School Board of Education, 506 North Main Street, Sugar Grove, Ohio 43155.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,318,799
Cash and Cash Equivalents with Fiscal Agent	505,858
Property Taxes Receivable	2,995,528
Accounts Receivable	171
Income Taxes Receivable	324,008
Inventory Held for Resale	2,706
Materials and Supplies Inventory	19,178
Deferred Charges	40,296
Nondepreciable Capital Assets	410,820
Depreciable Capital Assets, Net	<u>7,873,583</u>
<i>Total Assets</i>	<u>15,490,947</u>
<u>Liabilities:</u>	
Accounts Payable	101,256
Accrued Wages and Benefits	638,178
Intergovernmental Payable	244,589
Accrued Interest Payable	26,937
Matured Compensated Absences Payable	9,601
Claims Payable	133,907
Deferred Revenue	2,696,300
<i>Long-Term Liabilities:</i>	
Due within One Year	421,054
Due in More Than One Year	<u>3,089,546</u>
<i>Total Liabilities</i>	<u>7,361,368</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	5,177,851
<i>Restricted for:</i>	
Debt Service	876,756
Other Purposes	114,549
Unrestricted	<u>1,960,423</u>
<i>Total Net Assets</i>	<u><u>\$8,129,579</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$3,738,952	\$706,508	\$229,021	(\$2,803,423)
Special	1,119,375	0	477,878	(641,497)
Vocational	127,534	0	21,992	(105,542)
Student Intervention Services	35,599	0	30,507	(5,092)
<i>Support Services:</i>				
Pupils	249,647	0	0	(249,647)
Instructional Staff	532,939	0	124,964	(407,975)
Board of Education	13,382	0	0	(13,382)
Administration	872,836	0	0	(872,836)
Fiscal	299,157	0	0	(299,157)
Business	5,406	0	0	(5,406)
Operation and Maintenance of Plant	813,905	0	0	(813,905)
Pupil Transportation	596,099	0	220,776	(375,323)
Central	25,827	0	9,270	(16,557)
<i>Operation of Non-Instructional Services:</i>				
Food Service	259,066	166,903	92,564	401
Other	616	0	0	(616)
Extracurricular Activities	260,453	79,069	0	(181,384)
Interest and Fiscal Charges	79,857	0	0	(79,857)
Totals	\$9,030,650	\$952,480	\$1,206,972	(6,871,198)
 <u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				2,434,389
Debt Service				394,228
Capital Outlay				38,810
Income Taxes Levied for General Purposes				967,079
Grants and Entitlements not Restricted to Specific Programs				3,218,834
Investment Earnings				49,811
Miscellaneous				73,685
Total General Revenues				7,176,836
Change in Net Assets				305,638
<i>Net Assets at Beginning of Year</i>				<u>7,823,941</u>
<i>Net Assets at End of Year</i>				<u><u>\$8,129,579</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2009*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,901,319	\$794,400	\$285,194	\$2,980,913
Property Taxes Receivable	2,608,858	347,667	39,003	2,995,528
Income Taxes Receivable	324,008	0	0	324,008
Accounts Receivable	124	0	47	171
Interfund Receivable	95,625	0	0	95,625
Inventory Held for Resale	0	0	2,706	2,706
Materials and Supplies Inventory	18,368	0	810	19,178
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	124,979	0	0	124,979
<i>Total Assets</i>	<u>\$5,073,281</u>	<u>\$1,142,067</u>	<u>\$327,760</u>	<u>\$6,543,108</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$91,443	\$0	\$9,813	\$101,256
Accrued Wages and Benefits	554,555	0	83,623	638,178
Interfund Payable	0	0	95,625	95,625
Intergovernmental Payable	220,164	0	24,425	244,589
Matured Compensated Absences Payable	9,601	0	0	9,601
Deferred Revenue	2,586,267	305,438	35,223	2,926,928
<i>Total Liabilities</i>	<u>3,462,030</u>	<u>305,438</u>	<u>248,709</u>	<u>4,016,177</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	69,778	0	35,464	105,242
Reserved for Property Taxes	222,592	42,229	3,780	268,601
Reserved for Textbooks and Instructional Materials	2,379	0	0	2,379
Reserved for Budget Stabilization	100,000	0	0	100,000
Reserved for Bus Purchases	22,600	0	0	22,600
<i>Unreserved, Undesignated, Reported in:</i>				
General Fund	1,193,902	0	0	1,193,902
Special Revenue Funds	0	0	39,807	39,807
Debt Service Fund	0	794,400	0	794,400
<i>Total Fund Balances</i>	<u>1,611,251</u>	<u>836,629</u>	<u>79,051</u>	<u>2,526,931</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,073,281</u>	<u>\$1,142,067</u>	<u>\$327,760</u>	<u>\$6,543,108</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$2,394,806	\$388,764	\$38,225	\$2,821,795
Income Tax	967,079	0	0	967,079
Intergovernmental	3,794,164	24,495	606,667	4,425,326
Interest	45,192	3,803	816	49,811
Tuition and Fees	694,762	0	11,746	706,508
Extracurricular Activities	20,895	0	58,174	79,069
Gifts and Donations	0	0	480	480
Customer Sales and Services	0	0	166,903	166,903
Miscellaneous	16,291	0	57,394	73,685
<i>Total Revenues</i>	<u>7,933,189</u>	<u>417,062</u>	<u>940,405</u>	<u>9,290,656</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,334,292	0	268,176	3,602,468
Special	980,221	0	174,380	1,154,601
Vocational	131,736	0	0	131,736
Student Intervention Services	0	0	35,599	35,599
<i>Support Services:</i>				
Pupils	258,695	0	0	258,695
Instructional Staff	376,602	0	205,824	582,426
Board of Education	13,980	0	0	13,980
Administration	849,860	0	60,168	910,028
Fiscal	299,641	7,872	768	308,281
Business	5,406	0	0	5,406
Operation and Maintenance of Plant	995,142	0	0	995,142
Pupil Transportation	582,836	0	0	582,836
Central	25,639	0	8,455	34,094
<i>Operation of Non-Instructional Services:</i>				
Food Service Operations	0	0	252,999	252,999
Community Services	616	0	0	616
Extracurricular Activities	204,225	0	65,418	269,643
<i>Debt Service:</i>				
Principal Retirement	30,799	489,033	0	519,832
Interest and Fiscal Charges	10,721	81,918	0	92,639
<i>Total Expenditures</i>	<u>8,100,411</u>	<u>578,823</u>	<u>1,071,787</u>	<u>9,751,021</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(167,222)</u>	<u>(161,761)</u>	<u>(131,382)</u>	<u>(460,365)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	133,126	0	133,126
Transfers Out	(133,126)	0	0	(133,126)
<i>Total Other Financing Sources (Uses)</i>	<u>(133,126)</u>	<u>133,126</u>	<u>0</u>	<u>0</u>
<i>Net Changes in Fund Balances</i>	(300,348)	(28,635)	(131,382)	(460,365)
<i>Fund Balances at Beginning of Year</i>	<u>1,911,599</u>	<u>865,264</u>	<u>210,433</u>	<u>2,987,296</u>
<i>Fund Balances at End of Year</i>	<u>\$1,611,251</u>	<u>\$836,629</u>	<u>\$79,051</u>	<u>\$2,526,931</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property Taxes	\$2,582,325	\$2,582,325	\$2,582,325	\$0
Income Tax	978,745	978,745	978,745	0
Intergovernmental	3,961,455	3,794,164	3,794,164	0
Interest	45,574	46,228	46,228	0
Tuition and Fees	605,655	694,762	694,762	0
Extracurricular Activities	20,895	20,895	20,895	0
Miscellaneous	8,851	8,951	16,391	7,440
<i>Total Revenues</i>	<u>8,203,500</u>	<u>8,126,070</u>	<u>8,133,510</u>	<u>7,440</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,398,098	3,583,451	3,467,584	115,867
Special	1,150,506	1,086,220	987,395	98,825
Vocational	167,298	152,812	127,472	25,340
<i>Support Services:</i>				
Pupils	282,336	294,539	266,518	28,021
Instructional Staff	480,632	500,014	387,773	112,241
Board of Education	28,050	31,300	18,980	12,320
Administration	859,801	900,013	854,885	45,128
Fiscal	316,494	329,613	289,027	40,586
Business	8,400	8,400	5,990	2,410
Operation and Maintenance of Plant	1,139,789	1,161,720	1,077,156	84,564
Pupil Transportation	698,022	660,794	587,335	73,459
Central	52,720	53,323	28,458	24,865
<i>Operation of Non-Instructional Services:</i>				
Community Services	0	616	616	0
Extracurricular Activities	204,992	233,552	199,496	34,056
Capital Outlay	975	975	0	975
<i>Debt Service:</i>				
Principal Retirement	135,000	135,000	0	135,000
Interest and Fiscal Charges	30,000	30,000	0	30,000
<i>Total Expenditures</i>	<u>8,953,113</u>	<u>9,162,342</u>	<u>8,298,685</u>	<u>863,657</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(749,613)	(1,036,272)	(165,175)	871,097
<u>Other Financing Sources (Uses):</u>				
Energy Conservation Notes Issued	7,440	7,440	0	(7,440)
Transfers Out	(50)	(1,051,033)	(133,126)	917,907
<i>Total Other Financing Sources (Uses)</i>	<u>7,390</u>	<u>(1,043,593)</u>	<u>(133,126)</u>	<u>910,467</u>
<i>Net Change in Fund Balances</i>	(742,223)	(2,079,865)	(298,301)	1,781,564
<i>Fund Balance at Beginning of Year</i>	2,169,730	2,169,730	2,169,730	0
<i>Prior Year Encumbrances Appropriated</i>	96,812	96,812	96,812	0
<i>Fund Balance at End of Year</i>	<u>\$1,524,319</u>	<u>\$186,677</u>	<u>\$1,968,241</u>	<u>\$1,781,564</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Net Assets

Proprietary Fund

June 30, 2009

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$212,907
Cash and Cash Equivalents with Fiscal Agent	<u>505,858</u>
<i>Total Assets</i>	<u>718,765</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>133,907</u>
<i>Total Liabilities</i>	<u>133,907</u>
<u>Net Assets:</u>	
Unrestricted	<u><u>\$584,858</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Statement of Revenues,
Expenses and Change in Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2009*

	<u>Governmental Activities</u> <u>Internal Service</u>
<u>Operating Revenues:</u>	
Charges for Services	<u>\$759,076</u>
<u>Operating Expenses:</u>	
Purchased Services	20,676
Claims	<u>392,149</u>
<i>Total Operating Expenses</i>	<u>412,825</u>
<i>Change in Net Assets</i>	346,251
<i>Net Assets at Beginning of Year</i>	<u>238,607</u>
<i>Net Assets at End of Year</i>	<u><u>\$584,858</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2009

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Services Provided	\$759,076
Cash Payments for Goods and Services	(20,676)
Cash Payments for Claims	<u>(271,073)</u>
<i>Net Cash from Operating Activities</i>	<u>467,327</u>
<i>Net Increase in Cash and Cash Equivalents</i>	467,327
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>251,438</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$718,765</u></u>
<u>Reconciliation of Operating Loss to Net Cash from Operating Activities:</u>	
Operating Income	\$346,251
<u>Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:</u>	
<i>Increase in Liabilities:</i>	
Claims Payable	<u>121,076</u>
<i>Net Cash from Operating Activities</i>	<u><u>\$467,327</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$4,000	\$25,216
<u>Liabilities:</u>		
Undistributed Monies	0	7,070
Due to Students	0	18,146
<i>Total Liabilities</i>	\$0	\$25,216
<u>Net Assets:</u>		
Held in Trust for Scholarships	4,000	
<i>Total Net Assets</i>	\$4,000	

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Fund

June 30, 2009

	<u>Private Purpose Trust</u>
<i>Additions</i>	\$0
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	<u>1,000</u>
Change in Net Assets	(1,000)
<i>Net Assets at Beginning of Year</i>	<u>5,000</u>
<i>Net Assets at End of Year</i>	<u><u>\$4,000</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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 30 non-certificated employees, 67 certificated full-time teaching personnel and 4 administrative employees who provide services to 943 students and other community members.

Reporting Entity

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

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental 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, 2009*

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

Governmental Funds

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

The following are the District's major governmental funds:

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

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

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

Proprietary Fund

The proprietary fund focus is on the determination of the change in net assets, financial position and cash flows and is classified as internal service. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides health and dental benefits to employees.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

During the fiscal year 2009, the District's investments were limited to repurchase agreements and the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. Non-participating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investments the investment could be sold for on June 30, 2009.

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 2009 amounted to \$45,192, which includes \$14,717 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.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

F. Inventory

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

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. There were no prepaid items at June 30, 2009.

H. Restricted Assets

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

I. Capital Assets

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

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

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

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Liabilities

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes primarily include funds for poverty aid and federal grants.

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

M. Fund Balance Reserves

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

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

O. Interfund Transactions

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

P. Estimates

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

Q. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2009.

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

NOTE 3- NEW GASB PRONOUNCEMENTS

For fiscal year 2009, the District implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", and GASB No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statements No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards". The implementation of GASB Statements No. 52, 55 and 56 had no effect on the disclosure requirements and there was no effect on the prior period fund balances of the District.

NOTE 4 - ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2009:

	<u>Deficit Fund Balance</u>
<i>Nonmajor Governmental Funds:</i>	
Uniform Supplies	\$848
Mentor	21
PBA Grant	12,600
IDEA	82,353
Title I	62,115
Improving Teacher Quality	17,562

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 4 - ACCOUNTABILITY - (Continued)

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$300,348)
<i>Adjustments:</i>	
Revenue Accruals	200,321
Expenditure Accruals	(44,592)
Encumbrances	(153,682)
Budget Basis	<u>(\$298,301)</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Public depositories must give security for all public funds on deposit. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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."

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, 2000, the carrying amount of all District deposits was \$1,315,795, which includes \$505,858 in cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2009, \$667,789 of the District's bank balance of \$917,789 was exposed to custodial credit risk as discussed above while \$250,000 was covered by Federal Depository Insurance. The \$667,789 exposed to custodial risk was collateralized with securities held by the pledging financial institution or its agent in the District's name.

Investments: As of June 30, 2009, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
STAROhio	2,538,078	2,538,078
Totals	<u>\$2,538,078</u>	<u>\$2,538,078</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard and Poor's has assigned STAROhio an "AAAm" money market rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the District or not.

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$3,853,873	\$0
<i>Investments:</i>		
STAROhio	(2,538,078)	2,538,078
GASB Statement No. 3	<u>\$1,315,795</u>	<u>\$2,538,078</u>

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 6.25 percent of true value for 2008 and zero for 2009.

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 7 - PROPERTY TAXES - (Continued)

The District receives property taxes from Fairfield and Hocking Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009 are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2009 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2009. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2009 was \$268,601 and is recognized as revenue. Of this total amount, \$222,592 was available to the General Fund, \$42,229 was available to the Bond Retirement Fund and \$3,780 was available to the Classroom Facilities Maintenance Nonmajor Governmental Fund.

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

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$90,113,400	79.94%	\$90,241,900	80.43%
Public Utility Personal	21,473,150	19.05%	21,959,450	19.57%
Tangible Personal Property	1,141,760	1.01%	0	0.00%
Total Assessed Value	<u>\$112,728,310</u>	<u>100.00%</u>	<u>\$112,201,350</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.80		\$48.20	

NOTE 8- INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents. The tax became effective on January 1, 2006, and continues for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue of \$967,079 is credited to the General Fund for fiscal year 2009.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 9 - RECEIVABLES

Receivables at June 30, 2009 consisted of property taxes and accounts receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of accounts receivables follows:

<u>Governmental Activities:</u>	
General Fund	\$124
<i>Nonmajor Governmental Fund:</i>	
Uniform School Supplies	47
Total Accounts Receivable	<u>\$171</u>

NOTE 10 - CAPITAL ASSETS

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

<u>Asset Category</u>	<u>Balance at July 1, 2008</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2009</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$410,820	\$0	\$0	\$410,820
<i>Depreciable Capital Assets:</i>				
Land Improvements	554,920	88,000	0	642,920
Buildings and Improvements	10,845,934	93,031	0	10,938,965
Furniture, Fixtures and Equipment	648,761	40,632	0	689,393
Vehicles	748,176	0	0	748,176
Total Depreciable Capital Assets	<u>12,797,791</u>	<u>221,663</u>	<u>0</u>	<u>13,019,454</u>
Total Capital Assets	<u>13,208,611</u>	<u>221,663</u>	<u>0</u>	<u>13,430,274</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(320,611)	(28,244)	0	(348,855)
Buildings and Improvements	(3,850,988)	(281,490)	0	(4,132,478)
Furniture, Fixtures and Equipment	(359,616)	(30,842)	0	(390,458)
Vehicles	(244,153)	(29,927)	0	(274,080)
Total Accumulated Depreciation	<u>(4,775,368)</u>	<u>(370,503)</u>	<u>0</u>	<u>(5,145,871)</u>
Total Net Capital Assets	<u>\$8,433,243</u>	<u>(\$148,840)</u>	<u>\$0</u>	<u>\$8,284,403</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$316,585
Vocational	855
<i>Support Services:</i>	
Pupils	346
Instructional Staff	1,755
Administration	2,231
Fiscal	251
Operational and Maintenance of Plant	4,630
Pupil Transportation	32,060
Central	1,818
Operation of Non-Instructional Services	6,067
Extracurricular Activities	3,905
Total Depreciation Expense	<u><u>\$370,503</u></u>

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the District contracted with Hylant Administrative Services for professional and general liability insurance, fleet insurance and property insurance. Coverages provided are as follows:

Building/Contents and Boiler/Machinery	
Building/Contents	\$25,122,553
Fleet Liability (Buses \$1,000 collision and comprehensive all other \$500 deductible for collision and \$250 for comprehensive)	3,000,000
General Liability:	
Per Occurrence	4,000,000
Aggregate Limit	6,000,000
Public Official Bonds:	
Treasurer	50,000
Superintendent	20,000
Board President	20,000

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 11 - 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 2009, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its worker's compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Sheakley Unicomp 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. The cash balance with the fiscal agent at June 30, 2009, was \$505,858. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2009, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 11 - RISK MANAGEMENT - (Continued)

The claims liability of \$133,907 supported at June 30, 2009 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10, as amended by Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2008	\$0	\$47,062	\$34,231	\$12,831
2009	12,831	392,149	271,073	133,907

NOTE 12 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of the annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$81,505, \$111,357, and \$127,069, respectively; 31.12 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. \$56,139 representing the unpaid contribution for fiscal year 2009, is recorded as a liability on the statement of net assets.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$460,650, \$540,250, and \$487,548, respectively; 78.99 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. \$96,775 representing the unpaid contribution for fiscal year 2009, is recorded as a liability on the statement of net assets.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, four members of the Board of Education have elected Social Security.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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

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

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$35,435, \$41,558 and \$37,504 respectively; 100 percent has been contributed for years 2009, 2008, and 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.7 billion at June 30, 2008 (the latest information year available). For the year ended June 30, 2008, net health care costs paid by STRS were \$288,878,000 and STRS had 126,506 eligible benefit recipients.

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

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

The Medicare B plan - reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. Berne Union Local School District's contributions for the years ended June 30, 2009, 2008 and 2007 were, \$870, \$1,048, \$1,143 respectively, which equaled the required contributions each year.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Berne Union Local School District's contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$49,638, \$62,148 and \$55,672, 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 and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

NOTE 14 - EMPLOYEE BENEFITS

Compensated Absences

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 15 - LONG-TERM LIABILITIES

The changes in the District's long-term liabilities during fiscal year 2009 were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2008	Additions	Deductions	Principal Outstanding at June 30, 2009	Amount Due In One Year
<i>Governmental Activities:</i>							
Energy Loan	2007	3.99%	\$1,055,000	\$0	\$129,033	\$925,967	\$95,667
Refunding Bonds	2006	3.50%	2,330,000	0	360,000	1,970,000	260,000
Premium on Refunding Bonds			117,943	0	16,849	101,094	16,849
Compensated Absences Payable			394,394	117,737	108,083	404,048	15,366
Capital Lease Payable			140,290	0	30,799	109,491	33,172
Total Governmental Activities							
Long-Term Obligations			<u>\$4,037,627</u>	<u>\$117,737</u>	<u>\$644,764</u>	<u>\$3,510,600</u>	<u>\$421,054</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 Bond Retirement Fund using amounts from energy savings.

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

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

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

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

The District's overall legal debt margin was \$7,202,155 with an unvoted debt margin of \$112,201 at June 30, 2009.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 15 - LONG-TERM LIABILITIES - (Continued)

The annual requirements to retire the general obligation debt outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Refunding Bonds		Energy Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$260,000	\$191,525	\$95,667	\$37,459	\$355,667	\$228,984
2011	385,000	64,788	99,537	33,589	484,537	98,377
2012	400,000	50,050	103,564	29,562	503,564	79,612
2013	420,000	33,650	107,684	25,442	527,684	59,092
2014	360,000	16,250	112,109	21,017	472,109	37,267
2015-2018	145,000	3,625	407,406	36,861	552,406	40,486
Total Debt	<u>\$1,970,000</u>	<u>\$359,888</u>	<u>\$925,967</u>	<u>\$183,930</u>	<u>\$2,895,967</u>	<u>543,818</u>

NOTE 16 - CAPITAL LEASE

The \$109,491 of outstanding capital lease payable relates to the lease/purchase of a mailing system and copiers.

The following is a schedule of the future minimum lease payment required under the capital lease and the present value of the minimum lease payment as of June 30, 2009:

Fiscal Year Ending June 30,	Capital Lease Payments
2010	\$41,520
2011	40,608
2012	37,268
2013	5,512
Total Future Minimum Lease Payment	124,908
Amount Representing Interest	(15,417)
Present Value of Future Minimum Lease Payment	<u>\$109,491</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 17 - STATUTORY SET-ASIDES

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

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

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization	Total
Set-Aside Reserve Balance as of June 30, 2008	\$51,421	\$158,791	\$100,000	\$310,212
Current Year Set-Aside Requirement	155,534	245,461	0	400,995
Qualifying Disbursements	(204,576)	(420,014)	0	(624,590)
Totals	2,379	(15,762)	100,000	86,617
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$2,379</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$102,379</u>
Set-Aside Reserve Balance as of June 30, 2009	<u>\$2,379</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$102,379</u>

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

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 18 - 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 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Program

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

NOTE 20 - CONTINGENCIES

A. Grants

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

B. Litigation

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

SUPPLEMENTARY DATA

**BERNE UNION LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARD:
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(C) National School Lunch Program	10.555	2009	\$ 88,189	\$ 88,189
(D) National School Lunch Program - Food Donations	10.555	2009	15,627	15,627
Total National School Lunch Program			<u>103,816</u>	<u>103,816</u>
Total U.S. Department of Agriculture			<u>103,816</u>	<u>103,816</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2008	2,135	24,355
Title I Grants to Local Educational Agencies	84.010	2009	117,144	153,351
Total Title I Grants to Local Educational Agencies			<u>119,279</u>	<u>177,706</u>
Special Education Grants to State	84.027	2008	2,073	23,574
Special Education Grants to State	84.027	2009	103,033	146,610
Total Special Education Grants to State			<u>105,106</u>	<u>170,184</u>
Safe and Drug-Free Schools and Communities State Grant	84.186	2009	3,678	3,678
Total Safe and Drug-Free Schools and Communities			<u>3,678</u>	<u>3,678</u>
State Grants for Innovative Programs	84.298	2009	747	747
Total State Grants for Innovative Programs			<u>747</u>	<u>747</u>
Education Technology State Grant	84.318	2009	1,393	1,300
Total Education Technology State Grant			<u>1,393</u>	<u>1,300</u>
Improving Teacher Quality State Grant	84.367	2008	4,728	6,499
Improving Teacher Quality State Grant	84.367	2009	31,999	40,798
Total Improving Teacher Quality State Grant			<u>36,727</u>	<u>47,297</u>
Total U.S. Department of Education			<u>266,930</u>	<u>400,912</u>
Total Federal Financial Assistance			<u>\$ 370,746</u>	<u>\$ 504,728</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2009.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on first-in, first-out basis.
- (D) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at entitlement value.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berne Union Local School District, Fairfield County, Ohio as of and for the fiscal year ended June 30, 2009, which collectively comprise Berne Union Local School District's basic financial statements and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Berne Union Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Berne Union Local School District's financial statements that is more than inconsequential will not be prevented or detected by Berne Union Local School District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 2009-BULSD-001.

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

Board of Education
Berne Union Local School District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Berne Union Local School District in a separate letter dated December 7, 2009.

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

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



Julian & Grube, Inc.
December 7, 2009



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 Berne Union Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Berne Union Local School District's compliance with those requirements.

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

Internal Control Over Compliance

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

Board of Education
Berne Union Local School District

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

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

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

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



Julian & Grube, Inc.
December 7, 2009

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

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

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

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

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

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

Finding Number	2009-BULSD-001
----------------	----------------

Significant Deficiency

All bank accounts should be reconciled in a timely manner monthly to help ensure accuracy of receipt and expenditure postings. In addition, these reconciliations should be provided to management for review.

The District did not perform bank reconciliations from October, 2008 through June, 2009. Additionally, the District did not reconcile by an immaterial amount at fiscal year end.

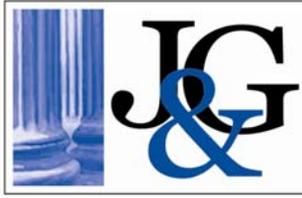
Unreconciled bank accounts in a timely manner means that errors or other problems might not be recognized and resolved on a timely basis.

We recommend the District implement procedures to help ensure that all bank statements are reconciled to the District books in a timely manner. We further recommend that the bank reconciliations be presented to the Board of Education and approved on a monthly basis.

Client Response: The District began performing reconciliations in July, 2009 and is working to reconcile the accounts completely on a monthly basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

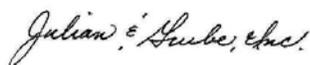
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board solely to assist the Board in evaluating whether Brown Local School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying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

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

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

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

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



Julian & Grube, Inc.
December 7, 2009



Mary Taylor, CPA
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
FEBRUARY 16, 2010