



**BERKSHIRE LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**BERKSHIRE LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Berkshire Local School District
Geauga County
14259 Claridon Troy Road, Box 364
Burton, Ohio 44021-0364

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 15, 2010

Berkshire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The management's discussion and analysis of Berkshire Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for fiscal year 2009 are as follows:

- Total net assets of governmental activities increased \$478,522 which represents a 9.34 percent increase from fiscal year 2008.
- Total revenues of \$12,033,250 were comprised of general revenues in the amount of \$10,910,285 or 90.67 percent and program specific revenues from charges for services, grants and contributions in the amount of \$1,122,965 or 9.33 percent.
- Total assets of governmental activities increased by \$551,042 which includes a large increase in capital assets of \$923,788 due to the construction in progress on additional modular units at Burton elementary school. Cash and cash equivalents, property taxes and income taxes receivable decreased in the amount of \$44,172, \$175,561 and \$90,931, respectively.
- The School District had \$11,554,728 in expenses related to governmental activities; only \$1,122,965 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and school foundation) of \$10,910,285 helped to provide for these programs.

Using the Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Berkshire Local School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions

Berkshire Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services and extracurricular activities.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and permanent improvement capital projects funds.

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

Proprietary Fund The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for dental and prescription claims self-insurance. The proprietary fund uses the accrual basis of accounting.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Berkshire Local School District
Management's Discussion and Analysis
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Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

Table 1
 Net Assets
 Governmental Activities

	2009	2008	Change
Assets			
Current and Other Assets	\$8,784,358	\$9,157,104	(\$372,746)
Capital Assets, Net	2,742,560	1,818,772	923,788
<i>Total Assets</i>	<u>11,526,918</u>	<u>10,975,876</u>	<u>551,042</u>
Liabilities			
Current Liabilities	5,095,422	4,921,053	174,369
Long-Term Liabilities			
Due Within One Year	138,620	187,833	(49,213)
Due In More Than One Year	692,168	744,804	(52,636)
<i>Total Liabilities</i>	<u>5,926,210</u>	<u>5,853,690</u>	<u>72,520</u>
Net Assets			
Invested in Capital Assets	2,742,560	1,818,772	923,788
Restricted for:			
Capital Projects	357,068	953,421	(596,353)
Set Asides	39,468	39,468	0
Other Purposes	51,841	74,824	(22,983)
Unrestricted	2,409,771	2,235,701	174,070
<i>Total Net Assets</i>	<u>\$5,600,708</u>	<u>\$5,122,186</u>	<u>\$478,522</u>

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets. Management continues to diligently plan expenses, staying carefully within the School District's revenues in an effort to maintain the durations between its levy requests.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal year 2009 and 2008.

Table 2
 Governmental Activities

	2009	2008	Change
Program Revenues			
Charges for Services and Sales	\$590,606	\$634,077	(\$43,471)
Operating Grants, Interest and Contributions	522,346	642,954	(120,608)
Capital Grants and Contributions	10,013	30,062	(20,049)
<i>Total Program Revenues</i>	<u>\$1,122,965</u>	<u>\$1,307,093</u>	<u>(\$184,128)</u>

Berkshire Local School District
Management's Discussion and Analysis
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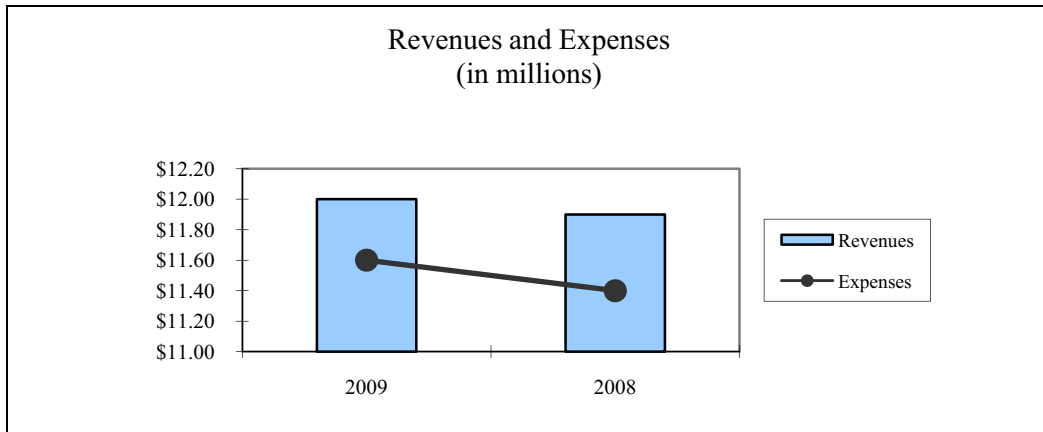
Table 2 (continued)
 Governmental Activities

	2009	2008	Change
General Revenues			
Property Taxes	\$4,565,456	\$4,530,924	\$34,532
Income Taxes	1,656,813	1,710,748	(53,935)
Grants and Entitlements	4,620,371	4,234,744	385,627
Investments	52,667	124,954	(72,287)
Miscellaneous	14,978	9,358	5,620
<i>Total General Revenues</i>	<u>10,910,285</u>	<u>10,610,728</u>	<u>299,557</u>
<i>Total Revenues</i>	<u>12,033,250</u>	<u>11,917,821</u>	<u>115,429</u>
Program Expenses			
Instruction:			
Regular	5,062,708	4,800,546	262,162
Special	1,271,151	1,263,407	7,744
Vocational	78,115	58,924	19,191
Student Intervention	12,776	0	12,776
Support Services			
Pupil	602,816	619,086	(16,270)
Instructional Staff	442,628	485,694	(43,066)
Board of Education	87,962	54,834	33,128
Administration	1,142,152	1,002,491	139,661
Fiscal	406,222	334,840	71,382
Business	38,727	32,706	6,021
Operation and Maintenance of Plant	938,412	1,048,609	(110,197)
Pupil Transportation	762,715	982,780	(220,065)
Operation of Food Service	302,888	311,629	(8,741)
Extracurricular Activities	405,456	446,431	(40,975)
<i>Total Program Expenses</i>	<u>11,554,728</u>	<u>11,441,977</u>	<u>112,751</u>
<i>Increase in Net Assets</i>	478,522	475,844	2,678
Net Assets Beginning of Year	<u>5,122,186</u>	<u>4,646,342</u>	<u>475,844</u>
Net Assets End of Year	<u><u>\$5,600,708</u></u>	<u><u>\$5,122,186</u></u>	<u><u>\$478,522</u></u>

Graph 1
 Revenues and Expenses
 (In Millions)

	2009	2008
Revenues	\$12.0	\$11.9
Expenses	11.6	11.4

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Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. The decrease in property tax revenue was due to little new construction coming on to the tax duplicate offset by the elimination of the 10 percent rollback for businesses that was effective in January 2006.

In May 2007, the community approved a one percent income tax levy on all earned income within the School District effective for the 2008 collections. This replaces the .75 percent income tax levy on all income within the School District.

Overall expenses increased during fiscal year 2009 due to negotiated salary agreements as well as a 9 percent increase in healthcare costs. The School District completed negotiations for certified and non-certified employees at the end of fiscal year 2009. Additionally, special education requirements and the requirements dictated by the federal No Child Left Behind legislation continue to add pressure to the School District's budget.

The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

Parents continue to have the opportunity to pay for the student's lunch online. Each student uses his/her personal identification number, that accesses his/her account, when visiting the cafeteria. Cafeteria prices did increase slightly in order to cover rising costs.

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In May 2006, the School District sold the Troy Elementary School building at an auction with the option to lease it back for two or more years. This was the beginning of the School District's long-term plan of bringing all elementary students under one roof. This final sale was completed in July 2006. The School District began construction on additional modular units to Burton Elementary during fiscal year 2009.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

The negative amounts indicated in Table 3 should not be construed as something bad; they are merely indicative of whether a particular function of government relies on general revenues for financing or is a net contributor of resources to the School District. Clearly, the four communities that comprise the School District are, by far, the greatest source of financial support for the students of the Berkshire Local School District.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2009		2008	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$5,062,708	(\$4,819,727)	\$4,800,546	(\$4,537,342)
Special	1,271,151	(867,913)	1,263,407	(902,459)
Vocational	78,115	(78,115)	58,924	(58,924)
Student Intervention	12,776	(12,776)	0	0
Support Services:				
Pupil	602,816	(591,226)	619,086	(524,265)
Instructional Staff	442,628	(442,312)	485,694	(472,174)
Board of Education	87,962	(87,962)	54,834	(54,834)
Administration	1,142,152	(1,133,152)	1,002,491	(957,224)
Fiscal	406,222	(406,222)	334,840	(334,840)
Business	38,727	(38,727)	32,706	(32,706)
Operation and Maintenance of Plant	938,412	(938,412)	1,048,609	(1,021,482)
Pupil Transportation	762,715	(752,702)	982,780	(978,713)
Operation of Food Services	302,888	(76,129)	311,629	(89,619)
Extracurricular Activities	405,456	(186,388)	446,431	(170,302)
Total	\$11,554,728	(\$10,431,763)	\$11,441,977	(\$10,134,884)

The School District's Funds

Information regarding the School District's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$12,052,400 and expenditures of \$12,320,124. The general fund increase in fund balance is mainly due to the increase income and property tax collections. The permanent improvement fund balance decreased significantly as the School District began construction on additional modular units at Burton Elementary. Other Governmental Funds had a slight decrease in fund balance as the School District continues to use grant

Berkshire Local School District
Management's Discussion and Analysis
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Unaudited

money to provide students with a dynamic education. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, property and income taxes from the communities that comprise the School District are the largest revenue source, accounting for 52 percent of total governmental revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the School District amended its general fund budget several times. The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management.

Due to consistent tax revenue estimates, the actual budget basis revenue and final budget basis revenue were \$1,747,744. The School District's final budget basis expenditures were \$191,305 lower than the final estimate. This is due in large part to the School District's continued commitment to provide a quality education while still controlling the costs of a quality education.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2009 balances compared to 2008:

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

	2009	2008
Land	\$13,810	\$13,810
Construction in Progress	963,890	0
Land Improvements	97,188	100,141
Buildings and Improvements	1,076,434	1,031,657
Furniture, Fixtures and Equipment	261,109	326,293
Vehicles	330,129	346,871
	\$2,742,560	\$1,818,772
<i>Total Capital Assets</i>		

The School District began construction on additional modular units to Burton Elementary during the year. In addition to this construction in progress, the School District renovated restrooms, as well as installed a new gym floor at the high school. The School District also purchased a new bus during fiscal year 2009. These increases were offset by the annual depreciation. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional materials and supplies. For fiscal year 2009, this amounted to \$184,480 for each set aside. See Note 11 to the basic financial statements for additional information on the School District's capital assets and Note 20 for additional information regarding required set-asides.

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Management's Discussion and Analysis
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Debt

The School District had no bonded debt in fiscal year 2009 and also maintains a AAA bond rating.

School District Outlook

The financial future of the School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as State's educational funding system generating zero to minimal growth in funding operations. As the preceding information shows, the School District is heavily reliant on local property taxpayers.

Management must continue to diligently plan expenses, staying carefully within the School District's financial forecast. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the life of the levies.

The School District has committed itself to financial and educational excellence for many years to come. The School District has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting since 2000. Due to budget constrains during fiscal year 2009, the school district decided to forgo publishing a Comprehensive Annual Financial Report (CAFR) for one year and only publish required Basic Financial Statements. The School District plans to publish a CAFR for fiscal year 2010 and submit it to GFOA for consideration.

In conclusion, the Berkshire Local School District is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide an excellent education to the students of the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Beth McCaffrey, in the Treasurer's Office, at Berkshire Local School District, 14259 Claridon Troy Road, P.O. Box 364, Burton, Ohio 44021.

Berkshire Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,750,223
Accounts Receivable	7,097
Intergovernmental Receivable	1,881
Prepaid Items	3,657
Inventory Held for Resale	4,332
Materials and Supplies Inventory	1,167
Income Taxes Receivable	758,448
Property Taxes Receivable	4,257,553
Nondepreciable Capital Assets	977,700
Depreciable Capital Assets, Net	<u>1,764,860</u>
<i>Total Assets</i>	<u>11,526,918</u>
Liabilities	
Accounts Payable	30,026
Contracts Payable	161,494
Accrued Wages and Benefits	1,044,183
Intergovernmental Payable	256,364
Matured Compensated Absences Payable	60,144
Matured Termination Benefits Payable	38,633
Deferred Revenue	3,483,581
Claims Payable	20,997
Long-Term Liabilities:	
Due Within One Year	138,620
Due In More Than One Year	<u>692,168</u>
<i>Total Liabilities</i>	<u>5,926,210</u>
Net Assets	
Invested in Capital Assets	2,742,560
Restricted for:	
Capital Projects	357,068
Set Asides	39,468
Other Purposes	51,841
Unrestricted	<u>2,409,771</u>
<i>Total Net Assets</i>	<u><u>\$5,600,708</u></u>

See accompanying notes to the basic financial statements

Berkshire 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	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$5,062,708	\$185,794	\$57,187	\$0	(\$4,819,727)
Special	1,271,151	28,265	374,973	0	(867,913)
Vocational	78,115	0	0	0	(78,115)
Student Intervention	12,776	0	0	0	(12,776)
Support Services:					
Pupil	602,816	0	11,590	0	(591,226)
Instructional Staff	442,628	0	316	0	(442,312)
Board of Education	87,962	0	0	0	(87,962)
Administration	1,142,152	0	9,000	0	(1,133,152)
Fiscal	406,222	0	0	0	(406,222)
Business	38,727	0	0	0	(38,727)
Operation and Maintenance of Plant	938,412	0	0	0	(938,412)
Pupil Transportation	762,715	0	0	10,013	(752,702)
Operation of Food Services	302,888	174,575	52,184	0	(76,129)
Extracurricular Activities	405,456	201,972	17,096	0	(186,388)
<i>Totals</i>	<u>\$11,554,728</u>	<u>\$590,606</u>	<u>\$522,346</u>	<u>\$10,013</u>	<u>(10,431,763)</u>
General Revenues					
Property Taxes Levied for:					
					4,338,549
					226,907
					1,656,813
Income Taxes Levied for General Purposes					
Grants and Entitlements not Restricted to					
					4,620,371
					52,667
					14,978
					<u>10,910,285</u>
					478,522
					<u>5,122,186</u>
					<u>\$5,600,708</u>

See accompanying notes to the basic financial statements

Berkshire Local School District

Balance Sheet

Governmental Funds

June 30, 2009

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,269,864	\$321,600	\$119,056	\$3,710,520
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	39,468	0	0	39,468
Accounts Receivable	7,097	0	0	7,097
Interfund Receivable	6,000	0	0	6,000
Intergovernmental Receivable	0	0	1,881	1,881
Prepaid Items	3,379	0	278	3,657
Inventory Held for Resale	0	0	4,332	4,332
Materials and Supplies Inventory	0	0	1,167	1,167
Income Taxes Receivable	758,448	0	0	758,448
Property Taxes Receivable	4,044,496	213,057	0	4,257,553
<i>Total Assets</i>	<u>\$8,128,752</u>	<u>\$534,657</u>	<u>\$126,714</u>	<u>\$8,790,123</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$25,579	\$3,541	\$906	\$30,026
Contracts Payable	161,494	0	0	161,494
Accrued Wages and Benefits	1,018,919	0	25,264	1,044,183
Interfund Payable	0	0	6,000	6,000
Intergovernmental Payable	238,076	0	18,288	256,364
Matured Compensated Absences Payable	60,144	0	0	60,144
Matured Termination Benefits Payable	38,633	0	0	38,633
Deferred Revenue	3,535,541	181,657	0	3,717,198
<i>Total Liabilities</i>	<u>5,078,386</u>	<u>185,198</u>	<u>50,458</u>	<u>5,314,042</u>
 Fund Balances				
Reserved for Encumbrances	346,121	111,893	4,881	462,895
Reserved for Property Taxes	590,400	31,400	0	621,800
Reserved for Budget Stabilization	39,468	0	0	39,468
Unreserved:				
Undesignated, Reported in:				
General Fund	2,074,377	0	0	2,074,377
Special Revenue Funds	0	0	71,375	71,375
Capital Projects Fund	0	206,166	0	206,166
<i>Total Fund Balances</i>	<u>3,050,366</u>	<u>349,459</u>	<u>76,256</u>	<u>3,476,081</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,128,752</u>	<u>\$534,657</u>	<u>\$126,714</u>	<u>\$8,790,123</u>

See accompanying notes to the basic financial statements

Berkshire Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2009*

Total Governmental Fund Balances	\$3,476,081
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,742,560
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	152,172
Income Taxes	<u>81,445</u>
Total	233,617
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	(20,762)
Long-term liabilities payable, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(830,788)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$5,600,708</u></u>

See accompanying notes to the basic financial statements

Berkshire Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Income Taxes	\$1,680,604	\$0	\$0	\$1,680,604
Property Taxes	4,331,957	228,858	0	4,560,815
Intergovernmental	4,565,596	65,104	494,735	5,125,435
Interest	50,027	2,640	0	52,667
Tuition and Fees	188,433	0	25,626	214,059
Extracurricular Activities	128,239	0	69,449	197,688
Contributions and Donations	4,999	0	22,296	27,295
Charges for Services	106	0	174,575	174,681
Rentals	4,178	0	0	4,178
Miscellaneous	14,978	0	0	14,978
<i>Total Revenues</i>	<u>10,969,117</u>	<u>296,602</u>	<u>786,681</u>	<u>12,052,400</u>
Expenditures				
Current:				
Instruction:				
Regular	4,819,650	10,232	80,464	4,910,346
Special	922,188	0	326,107	1,248,295
Vocational	66,942	0	175	67,117
Student Intervention	12,776	0	0	12,776
Support Services:				
Pupil	542,544	0	42,893	585,437
Instructional Staff	411,543	0	2,446	413,989
Board of Education	87,962	0	0	87,962
Administration	1,063,276	3	39,798	1,103,077
Fiscal	398,239	4,980	0	403,219
Business	38,727	0	0	38,727
Operation and Maintenance of Plant	930,298	172,957	0	1,103,255
Pupil Transportation	749,089	0	891	749,980
Operation of Food Services	0	0	270,217	270,217
Extracurricular Activities	290,776	0	113,063	403,839
Capital Outlay	164,736	757,152	0	921,888
<i>Total Expenditures</i>	<u>10,498,746</u>	<u>945,324</u>	<u>876,054</u>	<u>12,320,124</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>470,371</u>	<u>(648,722)</u>	<u>(89,373)</u>	<u>(267,724)</u>
Other Financing Sources (Uses)				
Transfers In	0	52,137	113,307	165,444
Transfers Out	(415,359)	0	(10,085)	(425,444)
<i>Total Other Financing Sources (Uses)</i>	<u>(415,359)</u>	<u>52,137</u>	<u>103,222</u>	<u>(260,000)</u>
<i>Net Change in Fund Balances</i>	55,012	(596,585)	13,849	(527,724)
<i>Fund Balances, Beginning of Year</i>	<u>2,995,354</u>	<u>946,044</u>	<u>62,407</u>	<u>4,003,805</u>
<i>Fund Balances, End of Year</i>	<u>\$3,050,366</u>	<u>\$349,459</u>	<u>\$76,256</u>	<u>\$3,476,081</u>

See accompanying notes to the basic financial statements

Berkshire Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds (\$527,724)

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

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

Capital Outlay	1,196,065
Depreciation	<u>(272,277)</u>

Total	923,788
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	4,641
Income Taxes	<u>(23,791)</u>

Total	(19,150)
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 101,849

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (241)

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$478,522</u></u>
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See accompanying notes to the basic financial statements

Berkshire Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Income Taxes	\$1,718,091	\$1,747,744	\$1,747,744	\$0
Property Taxes	4,290,079	4,290,079	4,290,079	0
Intergovernmental	4,488,135	4,539,595	4,565,596	26,001
Interest	49,178	50,500	50,027	(473)
Tuition and Fees	185,236	188,611	188,433	(178)
Extracurricular Activities	126,063	115,670	128,239	12,569
Contributions and Donations	4,914	749	4,999	4,250
Charges for Services	104	106	106	0
Rentals	4,107	4,178	4,178	0
Miscellaneous	13,130	13,297	13,356	59
<i>Total Revenues</i>	<u>10,879,037</u>	<u>10,950,529</u>	<u>10,992,757</u>	<u>42,228</u>
Expenditures				
Current:				
Instruction:				
Regular	5,052,676	4,493,737	4,575,259	(81,522)
Special	1,104,922	965,039	889,043	75,996
Vocational	69,596	64,811	64,202	609
Student Intervention	197	2,333	2,446	(113)
Support Services:				
Pupil	585,109	571,868	534,229	37,639
Instructional Staff	479,194	426,468	407,808	18,660
Board of Education	53,686	87,279	80,145	7,134
Administration	1,142,469	1,097,559	1,048,476	49,083
Fiscal	388,890	400,514	395,174	5,340
Business	11,986	37,141	38,727	(1,586)
Operation and Maintenance of Plant	1,099,878	977,785	942,564	35,221
Pupil Transportation	806,753	798,104	754,501	43,603
Operation of Food Services	4,746	6,167	0	6,167
Extracurricular Activities	305,405	300,058	305,317	(5,259)
Capital Outlay	0	500,000	499,667	333
<i>Total Expenditures</i>	<u>11,105,507</u>	<u>10,728,863</u>	<u>10,537,558</u>	<u>191,305</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(226,470)</u>	<u>221,666</u>	<u>455,199</u>	<u>233,533</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	100	0	(100)
Advance In	39,290	39,290	39,290	0
Advance Out	0	(10,000)	(8,222)	1,778
Transfers Out	(33,421)	(400,065)	(415,359)	(15,294)
<i>Total Other Financing Sources (Uses)</i>	<u>5,869</u>	<u>(370,675)</u>	<u>(384,291)</u>	<u>(13,616)</u>
<i>Net Change in Fund Balance</i>	<u>(220,601)</u>	<u>(149,009)</u>	<u>70,908</u>	<u>219,917</u>
<i>Fund Balance, Beginning of Year</i>	<u>2,595,100</u>	<u>2,595,100</u>	<u>2,595,100</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>130,231</u>	<u>130,231</u>	<u>130,231</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$2,504,730</u></u>	<u><u>\$2,576,322</u></u>	<u><u>\$2,796,239</u></u>	<u><u>\$219,917</u></u>

See accompanying notes to the basic financial statements

Berkshire Local School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2009

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$235
Liabilities	
Claims Payable	<u>20,997</u>
Net Assets	
Unrestricted (Deficit)	<u><u>(\$20,762)</u></u>

See accompanying notes to the basic financial statements

Berkshire Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2009*

	Insurance
Operating Revenues	
Charges for Services	\$115,457
Operating Expenses	
Claims	375,698
<i>Loss Before Transfers</i>	(260,241)
Transfers In	260,000
<i>Change in Net Assets</i>	(241)
<i>Net Assets (Deficit), Beginning of Year</i>	(20,521)
<i>Net Assets (Deficit), End of Year</i>	(\$20,762)

See accompanying notes to the basic financial statements

Berkshire Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2009

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$115,457
Cash Payments for Claims	(381,101)
<i>Net Cash Used for Operating Activities</i>	(265,644)
Cash Flows from Noncapital Financing Activities	
Transfers In	260,000
<i>Net Decrease in Cash and Cash Equivalents</i>	(5,644)
<i>Cash and Cash Equivalents, Beginning of Year</i>	5,879
<i>Cash and Cash Equivalents, End of Year</i>	\$235
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	(\$260,241)
Adjustments:	
Increase in Claims Payable	(5,403)
<i>Net Cash Used in Operating Activities</i>	(\$265,644)
See accompanying notes to the basic financial statements	

Berkshire Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$44,628</u>
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Liabilities

Due to Students	\$40,618
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Undistributed Monies	<u>4,010</u>
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<i>Total Liabilities</i>	<u>\$44,628</u>
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See accompanying notes to the basic financial statements

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Berkshire 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

Berkshire Local School District (the "School District") operates under a locally elected Board form of government and provides educational services as authorized by state and/or federal agencies. This Board controls the School District's four instructional/support facilities staffed by 54 non-certified employees, 73 certified full time teaching personnel and 6 administrative employees to provide services to 1,086 students and other community members.

The School District was established in 1967 and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 70 square miles. It is located in Geauga County, including all of Burton, Claridon, and Troy Townships, Ohio. It currently operates three instructional buildings and one administrative building.

Reporting Entity

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

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

The School District is associated with three jointly governed organizations, one related organization and one insurance purchasing pool. These organizations are the Auburn Career Center, the Lake Geauga Computer Association, the Ohio Schools Council Association, the Burton Public Library and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

A. Basis of Presentation

The School District's basic financial statements consist of government-wide 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

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

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

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Permanent Improvement Fund The permanent improvement fund receives property taxes for the acquisition, construction or improvement of capital facilities.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self insurance fund that accounts for dental and prescription claims of School District employees.

Fiduciary Fund Type 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student and elementary activities and relay for life donations.

C. Measurement Focus

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

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

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

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

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

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

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 governmental funds.

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

E. Cash and Cash Equivalents

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

During fiscal year 2009, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price 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 \$50,027, which includes \$6,198 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or the laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

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.

H. Inventory

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

I. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The capitalization threshold is two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Buildings and Improvements	21 - 50 years
Furniture and Fixtures	5 - 25 years
Vehicles	8 - 15 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School 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 School 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 in to consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees with five years of service with the School 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 to the extent 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(s) from which the employees who have resigned or retired will be paid.

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions 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 during the current fiscal year.

M. Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity 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 and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

O. 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include instructional operations, food service operations and extracurricular activities.

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

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as nonoperating.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

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

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set 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 fund level. The Treasurer has been given authority to allocate board appropriations to the function and object levels within each fund.

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

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 fiscal year.

Note 3 - Change in Accounting Principles

For fiscal year 2009, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."

Berkshire Local School District
Notes to the Basic Financial Statements
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GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 – Fund Deficits

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

<i>Special Revenue Funds</i>	
Title VI-B	\$1,818
Title I	303
Class Size Reduction Grant	87
<i>Self Insurance Internal Service Fund</i>	20,762

The special revenue funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Management is currently analyzing the health insurance internal service fund's operations to determine appropriate steps to alleviate the deficit.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting its financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

Berkshire Local School District
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The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$55,012
Net Adjustment for Revenue Accruals	23,640
Advances In	39,290
Net Adjustment for Expenditure Accruals	474,281
Advances Out	(8,222)
Encumbrances	<u>(513,093)</u>
Budget Basis	<u><u>\$70,908</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

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Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$3,540,851 of the School District's bank balance of \$3,794,851 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2009, the School District had STAR Ohio as the only investment with an amount of \$49,415 and an average maturity of 58.10 days.

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

Interest Rate Risk The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Geauga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County 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 includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009 was \$590,400 in the general fund and \$31,400 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2008, was \$548,522 in the general fund and \$28,985 in the permanent improvement capital projects fund.

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

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	\$209,019,360	95.40 %	\$211,677,320	95.50 %
Public Utility Personal	5,279,450	2.41	4,965,770	2.24
Tangible Personal Property	4,807,680	2.19	5,015,510	2.26
Total	\$219,106,490	100.00 %	\$221,658,600	100.00 %
Full tax rate per \$1,000 of assessed valuation	\$52.30		\$52.30	

Note 8 - Receivables

Receivables at June 30, 2009, consisted of taxes, accounts (rent, student fees and tuition) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. At June 30, 2009, the drug free schools grant had an intergovernmental receivable in the amount of \$1,881.

Note 9 - Income Tax

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2008, and is a continuing tax. 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

Berkshire Local School District
Notes to the Basic Financial Statements
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Note 10 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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 School District at June 30, 2009.

B. Litigation

The School District is not party to legal proceedings.

Note 11 – Capital Assets

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Nondepreciable Capital Assets				
Land	\$13,810	\$0	\$0	\$13,810
Construction in Progress	0	963,890	0	963,890
<i>Total Nondepreciable Capital Assets</i>	<u>13,810</u>	<u>963,890</u>	<u>0</u>	<u>977,700</u>
Depreciable Capital Assets				
Land Improvements	198,982	4,279	0	203,261
Buildings and Improvements	3,617,926	137,611	0	3,755,537
Furniture and Fixtures	1,064,045	19,553	0	1,083,598
Vehicles	801,707	70,732	0	872,439
<i>Total at Historical Cost</i>	<u>5,682,660</u>	<u>232,175</u>	<u>0</u>	<u>5,914,835</u>
Less: Accumulated Depreciation				
Land Improvements	(98,841)	(7,232)	0	(106,073)
Buildings and Improvements	(2,586,269)	(92,834)	0	(2,679,103)
Furniture and Fixtures	(737,752)	(84,737)	0	(822,489)
Vehicles	(454,836)	(87,474)	0	(542,310)
<i>Total Accumulated Depreciation</i>	<u>(3,877,698)</u>	<u>(272,277) *</u>	<u>0</u>	<u>(4,149,975)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>1,804,962</u>	<u>(40,102)</u>	<u>0</u>	<u>1,764,860</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,818,772</u>	<u>\$923,788</u>	<u>\$0</u>	<u>\$2,742,560</u>

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$94,938
Support Services:	
Instructional Staff	12,356
Administration	21,783
Operation and Maintenance of Plant	11,107
Pupil Transportation	115,298
Operation of Food Services	15,178
Extracurricular Activities	1,617
Total Depreciation Expense	\$272,277

Note 12 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District participated in the Ohio Schools Council insurance program which contracted with Ohio Casualty. Ohio Casualty acts as the carrier and the coverage provided is as follows:

Type of Coverage	Amount
Building and Contents - replacement cost	\$21,109,419
Crime Insurance	50,000
Theft	40,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per Occurrence	1,000,000
Total per year	2,000,000
Commercial Umbrella	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP.

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rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Other Employee Benefits

The School District has elected to provide dental and prescription coverage benefits through a self-insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator, MedBen, located in Newark, Ohio, reviews all dental claims which are then paid by the School District. A specific excess loss coverage (stop-loss) insurance policy covers claims in excess of \$125,000 per employee, per year.

The claims liability of \$20,997 reported in the internal service fund at June 30, 2009 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating 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. Management's expectation is the claims liabilities will be paid within one year. Changes in the fund's claims liability amount for 2008 and 2009 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2008	\$10,860	\$335,114	\$319,574	\$26,400
2009	26,400	375,698	381,101	20,997

Note 13 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers 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 325 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 75 days.

B. Life / Medical Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Met Life. The School District has elected to provide employee medical/surgical benefits through Medical Mutual.

C. Retirement Incentive

The School District Board of Education offers employees participation in a Retirement Incentive program. Participation is open to employees who are eligible for service retirement under the State Teachers Retirement System (STRS) and School Employees Retirement System (SERS). Each employee who qualifies for and

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takes retirement must notify the Board in writing of the employee’s intention prior to April 30. The employee receives a retirement incentive of 20 percent of the employee’s last year’s salary. The incentive is paid upon retirement.

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
General Fund	\$1,707	\$38,633	\$1,707	\$38,633

Note 14 – Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School 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 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 by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$135,985, \$129,030 and \$140,254 respectively; 50.70 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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’s lifetime contributions and earned interest matched by STRS Ohio funds divided by 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.

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The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$573,936, \$609,378, and \$574,938 respectively; 86.26 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$9,426 made by the School District and \$14,247 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

Note 15 – Postemployment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 Broad St., Suite 100, Columbus, Ohio 43215-3746.

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800. During fiscal year 2009, the School District paid \$22,573 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$62,233, \$58,881, and \$74,615 respectively; 50.70 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$11,220, \$9,297, and \$9,537 respectively; 50.70 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$44,874, \$46,875, and \$44,226 respectively; 86.26 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 16 - Long Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 06/30/08	Additions	Reductions	Principal Outstanding 06/30/09	Amount Due in One Year
Governmental Activities					
Compensated Absences	\$932,637	\$85,984	\$187,833	\$830,788	\$138,620

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The compensated absences payable will be paid from the general fund and the food service and the class size reduction grant special revenue funds.

The School District's overall debt margin was \$19,469,957 with an unvoted debt margin of \$216,333 at June 30, 2009.

Note 17 - Jointly Governed Organizations

A. Auburn Career Center

The Auburn Career Center is a joint vocational school district which is a jointly governed organization among eleven School Districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to its representation on the Board. Continued existence of the Auburn Career Center is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Career Center, 8140 Auburn Road, Painesville, Ohio 44077.

B. Lake Geauga Computer Association

The Lake Geauga Computer Association (the "LGCA") is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. During fiscal year 2009, the School District paid \$37,050 to LGCA. Financial information can be obtained from the Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

C. Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2009, the School District paid \$1,241 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA was selected as the new natural gas supplier and program manager. The new program runs from October 1, 2008 to September 30, 2010. There are currently 144 districts in the Program. The participants make monthly payments based on estimated usage. Each

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates. Each month, the Council invoiced participants based on estimated payments which are compared to their actual usage for the year (July to June). Refund checks were issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed were invoiced. With the end of the program on December 31, 2008, the School District purchased its electricity from the local area utility, Cleveland Electric Illuminating. In late October 2009, the School District joined a new Ohio Schools Council consortium electricity purchasing program which provides for additional discounts above what the School District would receive otherwise.

Note 18 - Related Organization

Burton Public Library The Burton Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Berkshire Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Burton Public Library, Rebecca Herrick Clerk/Treasurer, PO Box 427, Burton, Ohio 44021.

Note 19 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 Director of 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 - Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2009, only the unspent portion of certain workers' compensation refunds continues to be set aside.

Berkshire Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbook Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2008	\$39,468	\$0	(\$2,402,538)
Current Year Set-aside Requirement	0	184,480	184,480
Qualifying Disbursements	0	(1,033,079)	(47,649)
Totals	<u>\$39,468</u>	<u>(\$848,599)</u>	<u>(\$2,265,707)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$39,468</u>	<u>\$0</u>	<u>(\$2,265,707)</u>
Set-aside Reserve Balance as of June 30, 2009	<u>\$39,468</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition and textbook set-asides. The extra amount in the textbook set-aside may be used to reduce the set-aside requirement of future years. The extra amount in the capital acquisition set-aside may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$39,468.

Note 21 – Operating Lease

The School District has a lease agreement for the Troy Elementary School with Tom and Sally Blair. The contract specifies rent payments of \$2,474 per month for the leased premises for continued use as an elementary school until the new facilities are completed. The operating lease is for a period of two years and expires on August 31, 2009.

At June 30, 2009, the School District owes \$4,948 in principal outstanding.

Note 22 – Interfund Activity and Balances

A. Interfund Transfers

During fiscal year 2009 the general fund transferred \$260,000 to the health insurance fund to support increases in current year claims. The schoolnet development special revenue fund transferred \$10,085 to the schoolnet plus special revenue fund to subsidize grant activity.

B. Interfund Balances

Interfund balances at June 30, 2009, consist of an interfund receivable/payable between the general fund and the uniform schools supplies special revenue fund in the amount of \$6,000. This loan was made to support programs and projects pending the receipt of grant money that will be used to repay the loan. This loan is expected to be repaid in one year.

**BERKSHIRE LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
National School Lunch Program	10.555	49,742	8,666	49,742	8,666
Total U.S. Department of Agriculture		49,742	8,666	49,742	8,666
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Grants to States - FY 2008	84.027	20,755	0	11,094	0
Special Education Grants to States - FY 2009	84.027	201,997	0	197,680	0
Total Special Education Grants to States		222,752	0	208,774	0
Title I Grants to Local Educational Agencies - FY 2006	84.010	0	0	3	0
Title I Grants to Local Educational Agencies - FY 2008	84.010	5,607	0	8,215	0
Title I Grants to Local Educational Agencies - FY 2009	84.010	169,920	0	169,920	0
Total Title I Grants to Local Educational Agencies		175,527	0	178,138	0
Safe and Drug-Free Schools and Communities State Grants - FY 2008	84.186	4,560	0	3,174	0
Safe and Drug-Free Schools and Communities State Grants - FY 2009	84.186	1,827	0	2,394	0
Total Safe and Drug-Free Schools and State Grants		6,387	0	5,568	0
State Grant for Innovative Programs - FY 2008	84.298	0	0	579	0
State Grant for Innovative Programs - FY 2009	84.298	857	0	600	0
Total State Grant for Innovative Programs		857	0	1,179	0
Education Technology State Grant - FY 2008	84.318	79	0	0	0
Education Technology State Grant - FY 2009	84.318	1,591	0	1,591	0
Total Education Technology State Grant		1,670	0	1,591	0
Improving Teacher Quality State Grant - FY 2008	84.367	3,942	0	1,006	0
Improving Teacher Quality State Grant - FY 2009	84.367	47,525	0	47,525	0
Total Improving Teacher Quality State Grant		51,467	0	48,531	0
Total U.S. Department of Education		458,660	0	443,781	0
Total Federal Financial Assistance		<u>\$508,402</u>	<u>\$8,666</u>	<u>\$493,523</u>	<u>\$8,666</u>

The accompanying notes to this schedule are an integral part of this schedule.

**BERKSHIRE LOCAL SCHOOL DISTRICT
GEAUGA COUNTY
JUNE 30, 2009**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION PROGRAM

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

CFDA – Catalog of Federal Domestic Assistance



Mary Taylor, CPA

Auditor of State

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

Berkshire Local School District
Geauga County
14259 Claridon Troy Road, Box 364
Burton, Ohio 44021-364

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berkshire Local School District, Geauga County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated January 15, 2010.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated January 15, 2010.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 15, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Berkshire Local School District
Geauga County
14259 Claridon Troy Road, Box 364
Burton, Ohio 44021-364

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 15, 2010

**BERKSHIRE LOCAL SCHOOL DISTRICT
GEAUGA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Berkshire Local School District
Geauga County
14259 Claridon Troy Road, Box 364
Burton, Ohio 44021-364

To the Board of Education:

Ohio Rev. 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 the Berkshire Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. 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 June 12, 2006.
2. We read the policy, noting it included the following requirements from Ohio Rev. 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 Rev. 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 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;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;

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- (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;
- (10) 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.

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 and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 15, 2010



Mary Taylor, CPA
Auditor of State

BERKSHIRE LOCAL SCHOOL DISTRICT
GEAUGA 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