

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

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

KIRK GRANDY, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Berne Union Local School District, Fairfield County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 15, 2012

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berne Union Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Berne Union Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Berne Union Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the Berne Union Local School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berne Union Local School District, Fairfield County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the fiscal year ended June 30, 2011, the Berne Union Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

For fiscal year 2011, the Berne Union Local School District changed its accounting basis from accounting principles generally accepted in the United States of America to the cash basis of accounting. See Note 3 for further information.

Independent Accountants' Report
Berne Union Local School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the Berne Union Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the cash basis basic financial statements. Although this information is not part of the cash basis basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the cash basis basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the cash basis basic financial statements, and other knowledge we obtained during our audit of the cash basis basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Berne Union Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* provides additional analysis and is not a required part of the cash basis basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the cash basis basic financial statements. This schedule was subject to the auditing procedures we applied to the cash basis basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the cash basis basic financial statements or to the cash basis basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the cash basis basic financial statements taken as a whole.



Julian & Grube, Inc.
December 14, 2011

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

The discussion and analysis of the Berne Union Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- ▶ Total net assets of the District at June 30, 2011 is \$3,801,464. This balance was comprised of a \$819,934 balance in net asset amounts restricted for specific purposes and a balance of \$2,981,530 in unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$34,091, which represents a 0.91 percent increase from 2010. Net assets of the business-type activities increased \$23,704 which represents a 330.78 percent increase from 2010.
- ▶ General receipts accounted for \$5,341,350 or 52.39 percent of all receipts of governmental activities. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$4,854,804 or 47.61 percent of total receipts of \$10,196,154 for the governmental activities.
- ▶ The District had \$10,162,063 in disbursements related to governmental activities; only \$4,854,804 of these disbursements were offset by program specific charges for services and sales, grants or contributions. General receipts (primarily taxes and grants and entitlements) of \$5,341,350 were used to provide for the remainder of these programs.
- ▶ The District had \$17,813 in disbursements related to business-type activities; all of these disbursements were offset by program specific charges for services and sales, grants and contributions.
- ▶ The District recognizes two major governmental funds: the General Fund and the Bond Retirement Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$7,957,966 in receipts and other financing sources and \$7,842,363 in disbursements and other financing uses in fiscal year 2011.

Using this Annual Report

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

Reporting the District as a Whole

Government-Wide Financial Statements – Cash Basis

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include assets using the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting takes into account all of the current year's receipts and disbursements based on when cash is received or paid.

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

The statement of activities presents information showing how the government's net cash assets changed during the recent fiscal year. All changes in net cash assets are reported as cash is received or paid. Thus, receipts and disbursements are reported in this statement for some items that will only result in cash flows in the current fiscal period.

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

Governmental Activities

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

Business-Type Activities

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

BERNE UNION LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing cash and net assets. Table 1 provides a summary of the District's net assets for 2011 compared to fiscal year 2010:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2011	2010	2011	2010	2011	2010
<u>Assets:</u>						
Cash and Cash Equivalents	\$3,770,594	\$3,736,503	\$30,870	\$7,166	\$3,801,464	\$3,743,669
<i>Total Assets</i>	3,770,594	3,736,503	30,870	7,166	3,801,464	3,743,669
<u>Net Cash Assets:</u>						
Restricted	819,934	1,145,531	0	0	819,934	1,145,531
Unrestricted	2,950,660	2,590,972	30,870	7,166	2,981,530	2,598,138
<i>Total Net Cash Assets</i>	<u>\$3,770,594</u>	<u>\$3,736,503</u>	<u>\$30,870</u>	<u>\$7,166</u>	<u>\$3,801,464</u>	<u>\$3,743,669</u>

Total Cash and Cash Equivalents increased \$57,795 from fiscal year 2010 due primarily to cash held by a fiscal agent.

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

The remaining balance of \$819,934 is restricted. The restricted net cash assets are subject to external restrictions on how they may be used.

BERNE UNION LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the changes in net cash assets for fiscal year 2011 and provides a comparison to fiscal year 2010.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2011	2010	2011	2010	2011	2010
<u>Receipts:</u>						
<i>Program Receipts:</i>						
Charges for Services and Sales	\$761,051	\$899,654	\$41,517	\$33,159	\$802,568	\$932,813
Operating Grants and Contributions	4,093,753	3,958,410	0	0	4,093,753	3,958,410
<i>General Receipts:</i>						
Property Taxes	3,122,286	2,957,574	0	0	3,122,286	2,957,574
Income Taxes	905,372	930,071	0	0	905,372	930,071
Unrestricted Grants and Entitlements	1,226,230	1,275,880	0	0	1,226,230	1,275,880
Investment Earnings	9,493	11,778	0	0	9,493	11,778
Miscellaneous	77,969	78,386	0	0	77,969	78,386
Total Receipts	10,196,154	10,111,753	41,517	33,159	10,237,671	10,144,912
<u>Disbursements:</u>						
<i>Program Disbursements:</i>						
<i>Instruction:</i>						
Regular	3,721,090	4,030,992	0	0	3,721,090	4,030,992
Special	1,352,743	1,339,278	0	0	1,352,743	1,339,278
Vocational	128,542	133,821	0	0	128,542	133,821
Student Intervention Services	217,222	182,778	0	0	217,222	182,778

(Continued)

BERNE UNION LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	(Restated)		(Restated)		(Restated)	
	2011	2010	2011	2010	2011	2010
<i>Support Services:</i>						
Pupils	275,283	237,793	0	0	275,283	237,793
Instructional Staff	680,289	586,511	0	0	680,289	586,511
Board of Education	14,714	15,317	0	0	14,714	15,317
Administration	889,072	797,819	0	0	889,072	797,819
Fiscal	301,209	291,353	0	0	301,209	291,353
Business	22,726	12,282	0	0	22,726	12,282
Operation and Maintenance of Plant	824,723	750,368	0	0	824,723	750,368
Pupil Transportation	590,236	600,233	0	0	590,236	600,233
Central	39,759	32,713	0	0	39,759	32,713
<i>Operation of Non-Instructional Services</i>						
Food Services	271,345	295,153	0	0	271,345	295,153
Extracurricular Activities	242,756	300,106	0	0	242,756	300,106
Principal	484,537	355,667	0	0	484,537	355,667
Interest and Fiscal Charges	105,817	228,984	0	0	105,817	228,984
Preschool	0	0	17,813	25,993	17,813	25,993
<i>Total Disbursements</i>	10,162,063	10,191,168	17,813	25,993	10,179,876	10,217,161
<i>Changes in Net Assets</i>	34,091	(79,415)	23,704	7,166	57,795	(72,249)
Net Assets - Beginning of Year	3,736,503	3,815,918	7,166	0	3,743,669	3,815,918
Net Assets - End of Year	<u>\$3,770,594</u>	<u>\$3,736,503</u>	<u>\$30,870</u>	<u>\$7,166</u>	<u>\$3,801,464</u>	<u>\$3,743,669</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

The most significant governmental activities program disbursements for the District are Regular Instruction, Special Instruction, Administration, Operation and Maintenance of Plant, and Instructional Staff. These programs account for 73.49 percent of the total governmental activities. Regular Instruction, which accounts for 36.62 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 13.31 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 8.75 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant, which represents 8.12 percent of the total, represents costs associated with operating and maintaining the District's facilities. Instructional Staff, which represents 6.69 percent of the total cost, represents costs associated with assisting the teaching staff with the content and process of educating students.

As noted previously, the net cash assets for the governmental activities increased \$34,091 or 0.91 percent. This is an increase from last year when net cash assets decreased \$79,415 or 2.08 percent. For the governmental activities, total receipts increased \$84,401 or 0.83 percent from last year and disbursements decreased \$29,105 or 0.29 percent from last year.

The District's governmental activities had program receipts decreases of \$3,260, as well as increases in general receipts of \$87,661. The increase in general receipts is mostly due to an increase of property taxes.

The total disbursements for governmental activities decreased due to a decrease of \$309,902 in regular instruction disbursements and an increase of \$128,870 in principal disbursements.

The majority of the funding for the most significant programs indicated above is from property taxes and operating grants and contributions. Property taxes and operating grants and contributions account for 70.77 percent of total receipts.

The net assets for the business-type activities increased \$23,704. The business-type activities had \$41,517 of program receipts and \$17,813 of total disbursements. Fiscal year 2010 was the initial year of operation for this program.

Governmental Activities

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

The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 30.62 percent and intergovernmental revenue made up 52.18 percent of the total revenue for the governmental activities in fiscal year 2011.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

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

The District's intergovernmental receipts consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2011, the District received \$3,372,107 through the State's foundation program, which represents 33.07 percent of the total receipts for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 53.33 percent of governmental activities program expenses. Support services expenses make up 35.80 percent of governmental activities program disbursements. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Business-Type Activities

Business-type activities include the Preschool activities. This program had program receipts of \$41,517 and disbursements of \$17,813 for fiscal year 2011. All of the program revenues were from tuition and fees.

Table 3 shows, the total cost of services and the net cost of services for fiscal year 2011 and comparison to fiscal year 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Activities

	Total Cost of Services		Net Cost of Services	
	2011	(Restated) 2010	2011	(Restated) 2010
<u>Program Expenses:</u>				
<i>Governmental Activities:</i>				
Instruction	\$5,419,597	\$5,686,869	\$2,208,372	\$2,365,726
Support Services	3,638,011	3,324,389	2,379,450	2,161,972
Operation of Non-Instructional Services	271,345	295,153	(34,701)	9,284
Extracurricular Activities	242,756	300,106	163,784	197,139
Principal	484,537	355,667	484,537	355,667
Interest and Fiscal Charges	105,817	228,984	105,817	228,984
<i>Business-Type Activities:</i>				
Preschool	17,813	25,993	(23,704)	7,166
Total Expenses	<u>\$10,179,876</u>	<u>\$10,217,161</u>	<u>\$5,283,555</u>	<u>\$5,325,938</u>

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total receipts of \$10,196,154 and disbursements of \$10,235,159.

Total governmental funds fund balance decreased by \$39,005. The decrease in fund balance for the year was most significant in the other Governmental Funds of \$143,755 or 41.14 percent, reflecting disbursements received for operations exceeded receipts.

Budget Highlights - General Fund

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

During the course of fiscal year 2011, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

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

For the General Fund, the final budget basis receipts was \$7,887,959 representing an increase of \$61,891 or 0.79 percent from the original budget estimates of \$7,826,068. For the General Fund, the final budget basis disbursements were \$8,508,944 representing a decrease of \$952,193 or 10.06 percent from the original budget estimates of \$9,461,137.

Debt Administration

At June 30, 2011, the District had \$2,055,762 in general obligation debt outstanding with \$503,564 due within one year. Table 4 summarizes the general obligation debt outstanding for fiscal year 2011 compared to fiscal year 2010.

Table 4
Outstanding Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2011</u>	<u>2010</u>
Refunding Bonds	\$1,325,000	\$1,710,000
Energy Loan	730,762	830,299
Total General Obligation Debt	<u>\$2,055,762</u>	<u>\$2,540,299</u>

More detailed information pertaining to the District's long-term debt activity can be found in Note 12 of the notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

Current Issues

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

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

The District voters approved a 5 year income tax levy of 1 percent in November 2009, expiring at the end of 2015. In fiscal year 2011 this generated \$905,372 in revenue for general operations.

Fiscal year 2011 percentage in State Funding was 35.63%, Local 52.61% and Federal 11.76% which includes the ARRA Funding. Currently, unpaid property taxes in the Berne Union School District continues to be an issue resulting in a substantial loss of revenue. The amount of money we spend per student is \$1,200 less than the state average. All funding for new school bus purchases have been eliminated by the Ohio Department of Education through House Bill 1. Our bus fleet currently consists of several buses with well over 100,000 miles. The last new bus purchase was in the year 2007, and before that, it was in the year 2001.

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

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

Contacting the District's Financial Management

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

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Net Assets - Cash Basis

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,165,777	\$30,870	\$3,196,647
Cash and Cash Equivalents with Fiscal Agent	604,817	0	604,817
<i>Total Assets</i>	<u>3,770,594</u>	<u>30,870</u>	<u>3,801,464</u>
<u>Net Cash Assets:</u>			
<i>Restricted for:</i>			
Debt Service	757,900	0	757,900
Other Purposes	62,034	0	62,034
Unrestricted	<u>2,950,660</u>	<u>30,870</u>	<u>2,981,530</u>
<i>Total Net Cash Assets</i>	<u><u>\$3,770,594</u></u>	<u><u>\$30,870</u></u>	<u><u>\$3,801,464</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2011

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>						
<i>Instruction:</i>						
Regular	\$3,721,090	\$521,847	\$1,688,245	(\$1,510,998)	\$0	(\$1,510,998)
Special	1,352,743	0	758,744	(593,999)	0	(593,999)
Vocational	128,542	0	25,167	(103,375)	0	(103,375)
Student Intervention Services	217,222	0	217,222	0	0	0
<i>Support Services:</i>						
Pupils	275,283	0	2,844	(272,439)	0	(272,439)
Instructional Staff	680,289	0	260,860	(419,429)	0	(419,429)
Board of Education	14,714	0	0	(14,714)	0	(14,714)
Administration	889,072	1,019	267,156	(620,897)	0	(620,897)
Fiscal	301,209	0	5,000	(296,209)	0	(296,209)
Business	22,726	0	0	(22,726)	0	(22,726)
Operation and Maintenance of Plant	824,723	0	343,448	(481,275)	0	(481,275)
Pupil Transportation	590,236	0	353,030	(237,206)	0	(237,206)
Central	39,759	0	25,204	(14,555)	0	(14,555)
<i>Operation of Non-Instructional Services:</i>						
Food Service	271,345	159,259	146,787	34,701	0	34,701
Extracurricular Activities	242,756	78,926	46	(163,784)	0	(163,784)
<i>Debt Service:</i>						
Principal	484,537	0	0	(484,537)	0	(484,537)
Interest and Fiscal Charges	105,817	0	0	(105,817)	0	(105,817)
Total Governmental Activities	10,162,063	761,051	4,093,753	(5,307,259)	0	(5,307,259)
<u>Business-Type Activities:</u>						
Preschool	17,813	41,517	0	0	23,704	23,704
Total Business-Type Activities	17,813	41,517	0	0	23,704	23,704
Totals	\$10,179,876	\$802,568	\$4,093,753	(5,307,259)	23,704	(5,283,555)
<u>General Cash Receipts:</u>						
<i>Property Taxes Levied for:</i>						
General Purposes				2,686,655	0	2,686,655
Debt Service				396,374	0	396,374
Capital Outlay				39,257	0	39,257
Income Taxes Levied for General Purposes				905,372	0	905,372
Grants and Entitlements not Restricted to Specific Programs				1,226,230	0	1,226,230
Investment Earnings				9,493	0	9,493
Miscellaneous				77,969	0	77,969
Total General Cash Receipts				5,341,350	0	5,341,350
Change in Net Cash Assets				34,091	23,704	57,795
<i>Net Cash Assets at Beginning of Year, As restated</i>				3,736,503	7,166	3,743,669
<i>Net Cash Assets at End of Year</i>				\$3,770,594	\$30,870	\$3,801,464

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Cash Basis Assets and Fund Cash Balances
Governmental Funds
June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Cash Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,977,493	\$757,900	\$205,681	\$2,941,074
<u>Restricted Cash Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	11,691	0	0	11,691
<i>Total Cash Assets</i>	<u>\$1,989,184</u>	<u>\$757,900</u>	<u>\$205,681</u>	<u>\$2,952,765</u>
<u>Fund Cash Balances:</u>				
Restricted	\$11,691	\$757,900	\$205,681	\$975,272
Assigned	1,152,731	0	0	1,152,731
Unassigned	824,762	0	0	824,762
<i>Total Fund Cash Balances</i>	<u>\$1,989,184</u>	<u>\$757,900</u>	<u>\$205,681</u>	<u>\$2,952,765</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Cash Receipts:</u>				
Property Taxes	\$2,686,655	\$396,374	\$39,257	\$3,122,286
Income Tax	905,372	0	0	905,372
Intergovernmental	3,732,995	48,868	1,537,924	5,319,787
Interest	8,457	925	111	9,493
Tuition and Fees	521,847	0	0	521,847
Extracurricular Activities	19,064	0	60,881	79,945
Gifts and Donations	0	0	196	196
Customer Sales and Services	0	0	159,259	159,259
Miscellaneous	71,576	0	6,393	77,969
<i>Total Cash Receipts</i>	<u>7,945,966</u>	<u>446,167</u>	<u>1,804,021</u>	<u>10,196,154</u>
<u>Cash Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,486,176	0	308,010	3,794,186
Special	947,229	0	405,514	1,352,743
Vocational	126,636	0	1,906	128,542
Student Intervention Services	0	0	217,222	217,222
<i>Support Services:</i>				
Pupils	271,186	0	4,097	275,283
Instructional Staff	376,557	0	303,732	680,289
Board of Education	14,714	0	0	14,714
Administration	870,334	0	18,738	889,072
Fiscal	285,271	7,232	8,706	301,209
Business	22,726	0	0	22,726
Operation and Maintenance of Plant	533,189	0	291,534	824,723
Pupil Transportation	574,569	0	15,667	590,236
Central	5,858	0	33,901	39,759
<i>Operation of Non-Instructional Services:</i>				
Food Service Operations	0	0	271,345	271,345
Extracurricular Activities	187,352	0	55,404	242,756
<i>Debt Service:</i>				
Principal Retirement	0	484,537	0	484,537
Interest and Fiscal Charges	7,440	98,377	0	105,817
<i>Total Cash Disbursements</i>	<u>7,709,237</u>	<u>590,146</u>	<u>1,935,776</u>	<u>10,235,159</u>
<i>Excess (deficiency) of Cash Receipts Over (Under) Cash Disbursements</i>	<u>236,729</u>	<u>(143,979)</u>	<u>(131,755)</u>	<u>(39,005)</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	12,000	0	0	12,000
Advances Out	0	0	(12,000)	(12,000)
Transfers In	0	133,126	0	133,126
Transfers Out	(133,126)	0	0	(133,126)
<i>Total Other Financing Sources (Uses)</i>	<u>(121,126)</u>	<u>133,126</u>	<u>(12,000)</u>	<u>0</u>
<i>Net Changes in Fund Cash Balances</i>	115,603	(10,853)	(143,755)	(39,005)
<i>Fund Cash Balances at Beginning of Year, as restated</i>	<u>1,873,581</u>	<u>768,753</u>	<u>349,436</u>	<u>2,991,770</u>
<i>Fund Cash Balances at End of Year</i>	<u>\$1,989,184</u>	<u>\$757,900</u>	<u>\$205,681</u>	<u>\$2,952,765</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Receipts, Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<u>Receipts:</u>				
Property Taxes	\$2,662,800	\$2,686,654	\$2,686,654	\$0
Income Tax	897,334	905,372	905,372	0
Intergovernmental	3,699,851	3,732,995	3,732,995	0
Interest	8,382	8,000	8,457	457
Tuition and Fees	516,041	520,664	520,664	0
Miscellaneous	41,660	34,274	42,033	7,759
<i>Total Receipts</i>	<u>7,826,068</u>	<u>7,887,959</u>	<u>7,896,175</u>	<u>8,216</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,181,504	3,870,766	3,453,045	417,721
Special	1,176,751	1,013,898	971,749	42,149
Vocational	155,650	136,218	128,534	7,684
<i>Support Services:</i>				
Pupils	332,740	278,806	274,773	4,033
Instructional Staff	459,771	521,462	379,674	141,788
Board of Education	18,286	15,205	15,100	105
Administration	1,029,161	853,763	849,871	3,892
Fiscal	351,729	290,580	290,454	126
Business	39,780	24,998	32,850	(7,852)
Operation and Maintenance of Plant	751,136	661,470	620,281	41,189
Pupil Transportation	720,504	612,051	594,985	17,066
Central	7,203	28,530	5,948	22,582
Extracurricular Activities	227,912	193,757	188,209	5,548
<i>Debt Service:</i>				
Interest and Fiscal Charges	9,010	7,440	7,440	0
<i>Total Disbursements</i>	<u>9,461,137</u>	<u>8,508,944</u>	<u>7,812,913</u>	<u>696,031</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,635,069)	(620,985)	83,262	704,247
<u>Other Financing Sources (Uses):</u>				
Refund of prior year receipts	(49,985)	(26,377)	(41,277)	(14,900)
Advances In	0	12,000	12,000	0
Transfers Out	(161,210)	(1,210,902)	(133,126)	1,077,776
<i>Total Other Financing Sources (Uses)</i>	<u>(211,195)</u>	<u>(1,225,279)</u>	<u>(162,403)</u>	<u>1,062,876</u>
<i>Net Change in Fund Balances</i>	(1,846,264)	(1,846,264)	(79,141)	1,767,123
<i>Fund Balance at Beginning of Year (Restated)</i>	1,700,168	1,700,168	1,700,168	0
<i>Prior Year Encumbrances Appropriated (Restated)</i>	<u>146,096</u>	<u>146,096</u>	<u>146,096</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$1,767,123</u>	<u>\$1,767,123</u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Net Assets Cash Basis

Proprietary Funds

June 30, 2011

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	Other	Internal
	Enterprise	Service
	<u>Fund</u>	<u>Service</u>
<u>Cash Assets:</u>		
<i>Current Cash Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$30,870	\$213,012
Cash and Cash Equivalents with Fiscal Agent	<u>0</u>	<u>604,817</u>
<i>Total Cash Assets</i>	<u>30,870</u>	<u>817,829</u>
<u>Net Cash Assets:</u>		
Unrestricted	<u>30,870</u>	<u>\$817,829</u>
<i>Total Net Cash Assets</i>	<u><u>\$30,870</u></u>	<u><u>\$817,829</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

*Statement of Cash Receipts, Cash
Disbursements and Change in Net Cash Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011*

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	Other Enterprise Fund	Internal Service
<u>Operating Cash Receipts:</u>		
Tuition	\$41,517	\$0
Charges for Services	<u>0</u>	<u>1,019,823</u>
<i>Total Operating Cash Receipts</i>	41,517	1,019,823
<u>Operating Cash Disbursements:</u>		
Purchased Services	0	90,479
Materials and Supplies	17,813	0
Claims	<u>0</u>	<u>856,248</u>
<i>Total Operating Cash Disbursements</i>	<u>17,813</u>	<u>946,727</u>
<i>Operating Income</i>	23,704	73,096
<i>Net Cash Assets at Beginning of Year, as restated</i>	<u>7,166</u>	<u>744,733</u>
<i>Net Cash Assets at End of Year</i>	<u><u>\$30,870</u></u>	<u><u>\$817,829</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets Cash Basis

Fiduciary Funds

June 30, 2011

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Cash Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$5,054	\$29,956
	<u> </u>	<u> </u>
<u>Net Cash Assets:</u>		
Held in Trust for Scholarships	5,054	0
Unrestricted	0	29,956
	<u> </u>	<u> </u>
<i>Total Net Cash Assets</i>	<u> \$5,054 </u>	<u> \$29,956 </u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
June 30, 2011

	<u>Private Purpose Trust</u>
<u><i>Additions</i></u>	
Contributions and Donations	\$3,554
<u><i>Deductions:</i></u>	
Payments in Accordance with Trust Agreements	<u>1,500</u>
<i>Change in Net Cash Assets</i>	2,054
<i>Net Cash Assets at Beginning of Year</i>	<u>3,000</u>
<i>Net Cash Assets at End of Year</i>	<u><u>\$5,054</u></u>

See accompanying notes to the basic financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

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

The District was established through the consolidation of existing land areas and school districts. It is staffed by 33 non-certificated employees, 68 certificated full-time teaching personnel and 6 administrative employees who provide services to 928 students and other community members.

Reporting Entity

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with a comprehensive basis of accounting (OCBOA) other than generally accepted accounting principles as applied to governmental units. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its business type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB guidance issued after November 30, 1989 to its business type activities and enterprise funds, subject to the same limitation. The District has elected not to apply these FASB guidance. As discussed further in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. The more significant of the District's accounting policies are described below.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund cash balance.

The following are the District's major governmental funds:

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

Fund Financial Statements

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

D. Basis of Accounting

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

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

E. Cash and Cash Equivalents

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

At June 30, 2011, the District held no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$8,457, which includes \$3,122 assigned from other District funds.

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

F. Inventory

On the cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include an amount required by statute to be set-aside by the District to create a reserve for bus purchases.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

H. Capital Assets

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

I. Compensated Absences

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

J. Long-Term Obligations

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

K. Net Cash Assets

Net cash assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

L. Fund Cash Balance

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

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

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

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

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

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

M. Operating Receipts and Disbursements

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

N. Interfund Transactions

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

O. Budgetary Process

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

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District's financial statements.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Prior Year's Fund Balance and Net Assets

For fiscal year 2011, the District decided to report on the cash basis of accounting, which resulted in prior period adjustments to remove net accrual entries from the June 30, 2010 balances. In addition, during 2011, it was determined that the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Fund</u>
Fund Balances, June 30, 2010	\$1,496,843	\$802,545	\$260,596
Net Accrual Adjustments	349,396	(33,792)	116,182
GASB 54 Change in Fund Structure	<u>27,342</u>	<u>0</u>	<u>(27,342)</u>
Adjusted Fund Balances, June 30, 2010	<u>\$1,873,581</u>	<u>\$768,753</u>	<u>\$349,436</u>

	<u>Nonmajor Enterprise Fund</u>	<u>Nonmajor Internal Service Funds</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Net Assets, June 30, 2010	\$7,166	\$619,565	\$8,136,400	\$7,166
Net Accrual Adjustments	<u>0</u>	<u>125,168</u>	<u>(4,399,897)</u>	<u>0</u>
Adjusted Net Assets, June 30, 2010	<u>\$7,166</u>	<u>\$744,733</u>	<u>\$3,736,503</u>	<u>\$7,166</u>

C. Compliance

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

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

	General
	<u> </u>
Cash basis	\$115,603
Adjustment for encumbrances	(187,919)
Funds budgeted elsewhere**	<u>6,825</u>
Budget basis	<u><u>(\$79,141)</u></u>

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

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40 "Deposit and Investment Risk Disclosures."

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

At June 30, 2011, the carrying amount of all District deposits was \$3,836,474, which includes \$604,817 cash with fiscal agent. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2011, \$3,031,908 of the District's bank balance of \$3,281,908 was exposed to custodial credit risk as discussed above while \$250,000 was covered by Federal Depository Insurance. The \$3,031,908 exposed to custodial risk was collateralized with securities held by the pledging financial institution or its agent in the District's name.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2008, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property tax) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES- (Continued)

The District receives property taxes from Fairfield and Hocking Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011 are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$90,996,340	78.31%	\$89,850,450	77.08%
Public Utility Personal	25,208,030	21.69%	26,710,670	22.92%
Total Assessed Value	<u>\$116,204,370</u>	<u>100.00%</u>	<u>\$116,561,120</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.20		\$48.20	

NOTE 7- INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents. The tax became effective on January 1, 2006, and continues for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts of \$905,372 is credited to the General Fund for fiscal year 2011.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the District contracted with Hylant Administrative Services for professional and general liability insurance, fleet insurance and property insurance. Coverages provided are as follows:

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

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

For fiscal year 2011, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP) (the Plan), an insurance purchasing pool (Note 18). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its worker's compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Sheakley Unicom provides administrative, cost control and actuarial services to the Plan.

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 8 - RISK MANAGEMENT - (Continued)

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

Premiums are paid to the South Central Ohio Insurance Consortium Fund and the Self Insurance Fund of the District from the Internal Service Fund. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$138,105, \$136,780, and \$81,505, respectively; 34.36 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

State Teachers Retirement System

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

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)

State Teachers Retirement System – (Continued)

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

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$596,941, \$488,550, and \$460,650, respectively; 76.16 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, four members of the Board of Education have elected Social Security.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

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

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

Funding Policy - Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The District's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$45,919, \$37,581 and \$35,435 respectively; 76.16 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

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

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

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

The Medicare B plan - reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40, SERS' reimbursement to retirees was \$45.50.

BERNE UNION LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is 0.76%. Berne Union Local School District's contributions for the years ended June 30, 2011, 2010 and 2009 were, \$8,887, \$6,725, \$8,134 respectively; 34.36 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal year 2010 and 2009.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Berne Union Local School District's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$31,902, \$28,180 and \$49,638, respectively.

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

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

NOTE 11 - EMPLOYEE BENEFITS

Compensated Absences

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

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

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the District's long-term liabilities during fiscal year 2011 were as follows:

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding at July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding at June 30, 2011</u>	<u>Amount Due In One Year</u>
<i>Governmental Activities:</i>							
Energy Loan	2007	3.99%	\$830,299	\$0	\$99,537	\$730,762	\$103,564
Refunding Bonds	2006	3.50%	1,710,000	0	385,000	1,325,000	400,000
Premium on Refunding Bonds			84,245	0	16,849	67,396	16,849
Capital Lease			160,105	0	30,788	129,317	33,343
Total Governmental Activities Long-Term Obligations			<u>\$2,784,649</u>	<u>\$0</u>	<u>\$532,174</u>	<u>\$2,252,475</u>	<u>\$553,756</u>

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

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

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

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

The District's overall legal debt margin was \$8,434,739 with an unvoted debt margin of \$116,561 at June 30, 2011.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 12 - LONG-TERM LIABILITIES - (Continued)

The annual requirements to retire the general obligation debt outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Refunding Bonds		Energy Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$400,000	\$50,050	\$103,564	\$29,562	\$503,564	\$79,612
2013	420,000	33,650	107,684	25,442	527,684	59,092
2014	360,000	16,250	112,109	21,017	472,109	37,267
2015	145,000	3,625	116,645	16,481	261,645	20,106
2016	0	0	126,254	6,872	126,254	6,872
2017-2018	0	0	164,506	13,508	164,506	13,508
Total Debt	\$1,325,000	\$103,575	\$730,762	\$112,882	\$2,055,762	\$216,457

NOTE 13 - CAPITAL LEASE

The \$129,317 of the outstanding capital lease relates to the lease/purchase of copiers.

The following is a schedule of the future minimum lease payment required under the capital lease and the present value of the minimum lease payment as of June 30, 2011:

Fiscal Year Ending June 30,	Capital Lease Payments
2012	\$42,484
2013	42,484
2014	42,484
2015	21,242
Total Future Minimum Lease Payment	148,694
Amount Representing Interest	(19,377)
Present Value of Future Minimum Lease Payment	\$129,317

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 14 – INTERFUND ACTIVITY

As of June 30, 2011, transfers were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$0	\$133,126
Bond Retirement	133,126	0
Totals	<u>\$133,126</u>	<u>\$133,126</u>

NOTE 15 – FUND CASH BALANCES

As of June 30, 2011, fund cash balances are composed of the following:

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Restricted:</i>				
Bus Purchase	\$11,691	\$0	\$0	\$11,691
Debt Service	0	757,900	0	757,900
Facilities Maintenance	0	0	32,684	32,684
State Grants	0	0	16,158	16,158
Federal Grants	0	0	13,192	13,192
Food Service	0	0	129,053	129,053
Athletics/Band	0	0	14,594	14,594
<i>Assigned:</i>				
Future Appropriations	957,121	0	0	957,121
Uniform School Supplies	6,202	0	0	6,202
Public School Support	27,940	0	0	27,940
Student Instruction	34,599	0	0	34,599
Student and Staff Support	126,013	0	0	126,013
Extracurricular	856	0	0	856
<i>Unassigned</i>	<u>824,762</u>	<u>0</u>	<u>0</u>	<u>824,762</u>
Total Fund Cash Balances	<u>\$1,989,184</u>	<u>\$757,900</u>	<u>\$205,681</u>	<u>\$2,952,765</u>

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 16 - STATUTORY SET-ASIDES

The District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Textbooks and Instructional Materials	Capital Acquisition
Set-Aside Reserve Balance as of June 30, 2010	(\$170,508)	\$0
Current Year Set-Aside Requirement	128,936	128,936
Qualifying Disbursements	(284,800)	(233,734)
Totals	(326,372)	(104,798)
Set-Aside Balance Carried		
Forward to Future Fiscal Years	\$0	\$0
Set-Aside Reserve Balance as of June 30, 2011	\$0	\$0

The District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisition set-aside amounts and textbooks and instructional materials amounts below zero. The balance in capital acquisition may not be carried forward to future fiscal years and the balance in the textbooks and instructional materials will not be carried forward due to House Bill 30 repealing the ORC requirement for textbooks and instruction materials reserve as of the beginning of fiscal year 2012. In addition, though no longer required, the District has opted to establish a budget stabilization reserve in the amount of \$100,000, which is included in unassigned fund balance.

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 17 - ENCUMBRANCE COMMITMENTS

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

	<u>Year-End Encumbrances</u>
General Fund	\$191,654
Nonmajor governmental funds	<u>24,971</u>
Total	<u><u>\$216,625</u></u>

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

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

South Central Ohio Insurance Consortium (SCOIC)

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

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Program

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

BERNE UNION LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

NOTE 20 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

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

SUPPLEMENTARY DATA

**BERNE UNION LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(C) National School Lunch Program - Food Donation	10.555	2011	\$ 17,916	\$ 17,916
(D) National School Lunch Program	10.555	2011	143,219	143,219
Total National School Lunch Program and U.S. Department of Agriculture			161,135	161,135
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Grant Cluster:</i>				
(E) Title I Grants to Local Educational Agencies	84.010	2010	13,107	34,689
(E) Title I Grants to Local Educational Agencies	84.010	2011	204,844	197,711
Total Title I Grants to Local Educational Agencies			217,951	232,400
(E) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	119,013	114,963
Total Title I Grant Cluster			336,964	347,363
<i>Special Education Grant Cluster:</i>				
(F) Special Education_Grants to States	84.027	2010	13,001	33,140
(F) Special Education_Grants to States	84.027	2011	190,838	188,830
Total Special Education_Grants to States			203,839	221,970
(F) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	13,461	38,050
(F) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	18,738	18,738
Total ARRA - Special Education Grants to States, Recovery Act			32,199	56,788
(F) (H) Special Education_Preschool Grants	84.173	2010	(169)	1,195
(F) (H) Special Education_Preschool Grants	84.173	2011	2,927	2,926
Total Special Education_Preschool Grants			2,758	4,121
(F) ARRA - Special Education-Preschool Grants, Recovery Act	84.392	2010	-	4,446
Total Special Education Grant Cluster			238,796	287,325
(G) Twenty-First Century Community Learning Centers	84.287	2010	17,079	17,079
Twenty-First Century Community Learning Centers	84.287	2011	200,000	200,000
Total Twenty-First Century Community Learning Centers			217,079	217,079
Educational Technology State Grants	84.318	2011	675	674
Improving Teacher Quality State Grants	84.367	2010	725	6,235
Improving Teacher Quality State Grants	84.367	2011	46,517	46,517
Total Improving Teacher Quality State Grants			47,242	52,752
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	-	16,808
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	284,446	284,446
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act			284,446	301,254
Education Jobs Fund	84.410	2011	202,756	202,756
Total U.S. Department of Education			1,327,958	1,409,203
Total Federal Financial Assistance			\$ 1,489,093	\$ 1,570,338

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

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Title I Grant Cluster" in determining major programs.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) \$143 was repaid to the Ohio Department of Education based on the expiration of period of availability.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the centers. During fiscal year 2011, the ODE authorized the following transfer:

Program Title	CFDA Number	Grant Year	Transfer Out	Transfer In
Special Education_Preschool Grants	84.173	2010	\$ 169	
Special Education_Preschool Grants	84.173	2011		\$ 169
Totals			\$ 169	\$ 169



Julian & Grube, Inc.
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**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Accounting Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berne Union Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Berne Union Local School District's basic financial statements and have issued our report thereon dated December 14, 2011 which emphasized the Berne Union Local School District changed its reporting format to the cash basis, which is an other comprehensive basis of accounting not in accordance with accounting principles generally accepted in the United States of America. We also noted that the Berne Union Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Berne Union Local School District's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-BULSD-001 described in the accompanying schedule of findings and responses to be a material weakness.

Board of Education
Berne Union Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Berne Union Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2011-BULSD-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Berne Union Local School District's management in a separate letter dated December 14, 2011.

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

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

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

Julian & Grube, Inc.
December 14, 2011



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Berne Union Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Berne Union Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Berne Union Local School District's major federal programs. The Berne Union Local School 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 Berne Union Local School District's compliance based on our audit.

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

In our opinion, the Berne Union Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

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

Board of Education
Berne Union Local School District

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Berne Union Local School District's management in a separate letter dated December 14, 2011.

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

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

Julian & Grube, Inc.
December 14, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010 and ARRA - Title I Grants to Local Educational Agencies, Recovery Act, CFDA #84.389 and ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

Finding Number	2011-BULSD-001
----------------	----------------

Material Weakness - Financial Statement Presentation

The following adjustments were necessary to properly state the District's financial statements for the fiscal year ended June 30, 2011:

Internal Service Fund and Governmental Activities:

During the conversion of GAAP presentation to cash presentation, cash and cash equivalents with fiscal agent within the Internal Service fund was omitted during the restatement of fund cash balance and net cash assets. In addition, activity that affected the cash with fiscal agent balance during the fiscal year ended June 30, 2011 was omitted. An adjustment was necessary to properly state the beginning fund cash balance and net cash assets in the amount of \$577,247. In addition, an adjustment was necessary to decrease expenditures and increase cash and cash equivalents with fiscal agent in the amount of \$27,570 to include the fiscal year ended June 30, 2011 activity.

Fund Cash Balance Classifications:

General Fund - An adjustment was necessary to increase assigned fund cash balance in the amount of \$951,121, decrease committed fund cash balance in the amount of \$11,691, decrease restricted fund cash balance in the amount of \$88,309 and decrease unassigned fund cash balance in the amount of \$851,121.

Bond Retirement Fund - An adjustment was necessary to increase restricted fund cash balance and decrease assigned fund cash balance in the amount of \$757,900.

Other Governmental Funds - An adjustment was necessary to increase restricted fund cash balance and decrease committed fund cash balance in the amount of \$143,647.

The audited financial statements and District records have been adjusted for the misstatements above.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management.

We recommend that the District implement control procedures that enable management to prevent or detect and timely correct potential misstatements in the financial statements and footnotes. This will result in more accurate financial reporting of the District's activities.

Client's Response: The District will work with J.L. Uhrig and Associates, Inc. to correct this in the future.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

Finding Number	2011-BULSD-002
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Noncompliance

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The decision to prepare cash basis financial statements is a decision the District Board of Education believes to be in the best interests of the organization. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the year ended June 30, 2011 and made the decision that the significant dollars saved, outweighed the benefit received.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. In our report dated December 17, 2010, we noted the Board adopted an anti-harassment policy on December 10, 2007. However, this policy did not include all matters required by Ohio Revised Code 3313.666.
2. The Board amended the policy on July 26, 2011. We read the amended policy, noting it now includes all the requirements listed in Ohio Revised Code 3313.666.

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

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

Julian & Grube, Inc.
December 14, 2011



Dave Yost • Auditor of State

BERNE UNION LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2012**