



---

**ST. BERNARD-ELMWOOD PLACE CITY  
SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2011

With Independent Auditors' Report

## TABLE OF CONTENTS

Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis .....	3 – 11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14 – 15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16 – 17
Statement of Fiduciary Net Assets – Fiduciary Funds .....	18
Statement of Changes in Net Assets – Fiduciary Funds.....	19
Notes to the Basic Financial Statements.....	20 – 45
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	46
Notes to the Required Supplementary Information.....	47 - 48
Additional Information:	
Schedule of Expenditures of Federal Awards.....	49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	50 – 51
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	52 – 53
Schedule of Findings and Questioned Costs.....	54 – 56
Independent Accountants' Report on Applying Agreed-Upon Procedure.....	57

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
St. Bernard-Elmwood Place City School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Bernard-Elmwood Place City School District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Bernard-Elmwood Place City School District, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 11 and 46 through 48, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 20, 2011

**St. Bernard-Elmwood Place City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

---

The discussion and analysis of St. Bernard-Elmwood Place City School District's financial performance provides an overall review 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 the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities increased \$1,278,908 which represents a 17% increase from 2010.
- General revenues accounted for \$10,998,733 in revenue or 73% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,093,879 or 27% of total revenues of \$15,092,612 .
- The District had \$13,813,704 in expenses related to governmental activities; \$4,093,879 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$10,998,733 were also used to provide for these programs.

**Overview of the Financial Statements**

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

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. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the only major fund of the District.

**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**St. Bernard-Elmwood Place City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

---

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

**Fund Financial Statements**

The analysis of the District's major fund is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major fund. 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.

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

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

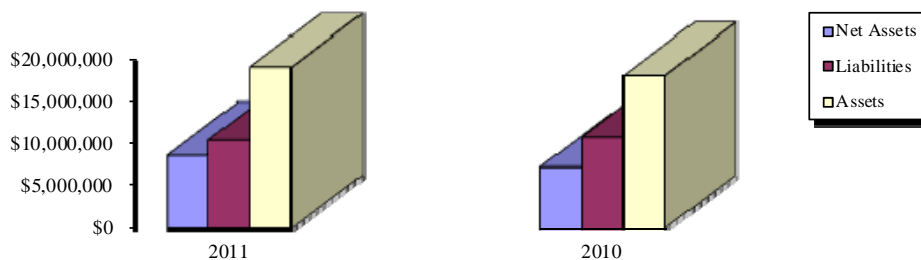
**St. Bernard-Elmwood Place City School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**The District as a Whole**

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District’s net assets for 2011 compared to 2010:

Table 1  
Net Assets

	Governmental Activities	
	2011	2010
<b>Assets:</b>		
Current and Other Assets	\$16,186,701	\$15,298,585
Capital Assets	2,986,624	2,930,835
<b>Total Assets</b>	<b>19,173,325</b>	<b>18,229,420</b>
<b>Liabilities:</b>		
Other Liabilities	8,124,389	8,420,717
Long-Term Liabilities	2,433,277	2,471,952
<b>Total Liabilities</b>	<b>10,557,666</b>	<b>10,892,669</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,873,624	1,802,999
Restricted	908,184	894,432
Unrestricted	5,833,851	4,639,320
<b>Total Net Assets</b>	<b>\$8,615,659</b>	<b>\$7,336,751</b>



Over time, net assets can serve as a useful indicator of a government’s financial position. At June 30, 2011, the District’s assets exceeded liabilities by \$8,615,659.

At year-end, capital assets represented 16% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2011, was \$1,873,624. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**St. Bernard-Elmwood Place City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

A portion of the District's net assets, \$908,184 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased from the prior year due primarily to an increase in equity in pooled cash and investments. Other Liabilities decreased mainly due to a decrease in unearned revenue (decrease in taxes receivable and an increase in the amount available for advance.)

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$1,083,068	\$656,896
Operating Grants, Contributions	3,010,811	2,683,014
General Revenues:		
Property Taxes	4,797,278	4,842,506
Grants and Entitlements	5,839,785	6,371,826
Other	361,670	335,305
Total Revenues	<u>15,092,612</u>	<u>14,889,547</u>
Program Expenses:		
Instruction	7,451,836	7,138,595
Support Services:		
Pupil and Instructional Staff	1,783,877	1,647,721
School Administrative, General		
Administration, and Fiscal	1,437,431	1,336,918
Operations and Maintenance	1,293,247	1,167,499
Pupil Transportation	389,698	357,015
Central	167,369	157,145
Operation of Non-Instructional Services	1,007,585	966,333
Extracurricular Activities	224,199	187,527
Interest and Fiscal Charges	58,462	78,199
Total Program Expenses	<u>13,813,704</u>	<u>13,036,952</u>
Change in Net Assets	1,278,908	1,852,595
Net Assets Beginning of Year	<u>7,336,751</u>	<u>5,484,156</u>
Net Assets End of Year	<u><u>\$8,615,659</u></u>	<u><u>\$7,336,751</u></u>



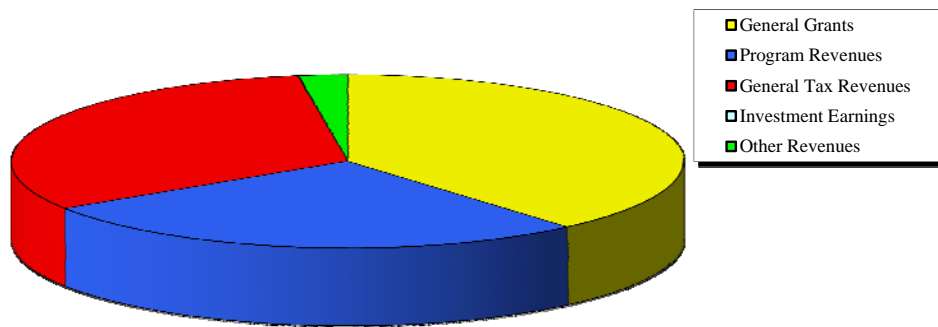
**St. Bernard-Elmwood Place City School District  
 Management’s Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2011  
 (Unaudited)**

Of the total governmental activities revenues of \$15,092,612, \$4,093,879 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, \$4,797,278 (44%) comes from property tax levies and \$5,839,785 (53%) is from state funding. This District’s operations are reliant upon its property tax levy and the state’s foundation program.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service.

		<u>Percentage</u>
General Grants	\$5,839,785	38.69%
Program Revenues	4,093,879	27.13%
General Tax Revenues	4,797,278	31.79%
Investment Earnings	5,851	0.04%
Other Revenues	<u>355,819</u>	<u>2.35%</u>
Total Revenue Sources	<u>\$15,092,612</u>	<u>100.00%</u>



Instruction comprises 54% of governmental program expenses. Support services expenses were 37% of governmental program expenses. All other expenses including interest expense were 9%. Interest expense was attributable to the outstanding borrowing for capital projects.

Property taxes decreased primarily due to the decrease in the amount of personal property tax received by the District in 2011, while general grants decreased from 2010 to 2011. Total expenses for fiscal year 2011 when compared to fiscal year 2010 increased slightly due to increases in pupil and instructional staff expenditures.

**St. Bernard-Elmwood Place City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

---

**Governmental Activities**

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$7,451,836	\$7,138,595	(\$5,270,194)	(\$5,359,088)
Support Services:				
Pupil and Instructional Staff	1,783,877	1,647,721	(1,181,584)	(1,385,426)
School Administrative, General				
Administration, and Fiscal	1,437,431	1,336,918	(1,437,431)	(1,336,918)
Operations and Maintenance	1,293,247	1,167,499	(1,060,567)	(975,853)
Pupil Transportation	389,698	357,015	(350,510)	(310,086)
Central	167,369	157,145	(162,369)	(152,145)
Operation of Non-Instructional Services	1,007,585	966,333	(28,732)	51,326
Extracurricular Activities	224,199	187,527	(169,976)	(150,653)
Interest and Fiscal Charges	58,462	78,199	(58,462)	(78,199)
Total Expenses	<u>\$13,813,704</u>	<u>\$13,036,952</u>	<u>(\$9,719,825)</u>	<u>(\$9,697,042)</u>

**The District's Major Fund**

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$13,981,582 (82%) of the total \$17,020,224 governmental funds assets.

**General Fund:** Fund balance at June 30, 2011 was \$5,567,841. The fund balance increased from 2011 compared to 2010. The overall fund balance increase is due to the District being able to control spending while increasing revenue.

**General Fund Budgeting Highlights**

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

The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District reviews the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budgeted revenue remained consistent when compared to the original budgeted estimated revenue for fiscal year 2011.

The District's ending unobligated cash balance for the General Fund was \$3,573,467, which is \$622,913 above the final budgeted amount.

**St. Bernard-Elmwood Place City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
(Unaudited)

---

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2011, the District had \$2,986,624 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$306,322	\$306,322
Buildings and Improvements	2,019,227	2,257,021
Equipment	<u>661,075</u>	<u>367,492</u>
Total Net Capital Assets	<u><u>\$2,986,624</u></u>	<u><u>\$2,930,835</u></u>

The increase in capital assets is due to additions for the fiscal year being greater than depreciation expense.

See Note 6 to the basic financial statements for further details on the District's capital assets.

*Debt*

At June 30, 2011, the District had \$1,113,000 in capital leases outstanding, \$118,000 due within one year. Table 5 summarizes debt outstanding.

Table 5  
Outstanding Debt, at Year End

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Capital Lease	\$1,113,000	\$1,226,000

See Note 7 and 8 in the notes to the basic financial statements for further details on the District's outstanding debt.

**St. Bernard-Elmwood Place City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

---

**For the Future**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court's concerns.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations, or if the State of Ohio will comply with the decision.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

HB66 will cause the district to lose over \$4,000,000 in local personal property tax revenue. During the fiscal years 2006 through 2010 the District will be reimbursed for a portion of this lost revenue from the state based on the Districts fiscal year 2004 personal property tax collections. However, this reimbursement will not replace the anticipated tax revenues the District was expecting in fiscal years 2006 through 2010. For fiscal years 2011 through 2017 the reimbursement will be phased out completely. After fiscal year 2017, the District will only receive an increase in the foundation amount received from the state due to any decrease in valuation. In fiscal year 2006 the District reduced the budget by approximately \$400,000, the District then reduced the budget by approximately \$450,000 in fiscal year 2007 and then reduced the budget by approximately \$500,000 in fiscal year 2008. The District will have further budget reductions up through 2017 as needed.

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the OEBM model is being phased in with FY 10 and FY 11 funding being allocated based on 99% of FY 09 funding and 98% of FY 10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY 11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.

In June of 2011, the budget for FY 12 and FY 13 was passed. The new budget eliminated the evidence based model and for the FY12 school year, funding will be under what is called a bridge formula. The Governor's office is working on a new funding formula for FY 13.

**St. Bernard-Elmwood Place City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

---

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

**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 receives. If you have questions about this report or need additional financial information, contact Michael Mays, Treasurer at St. Bernard-Elmwood Place City School District, 105 Washington Avenue, St. Bernard, Ohio 45217. Or E-mail at [mmays@sbepschools.org](mailto:mmays@sbepschools.org).

St. Bernard-Elmwood Place City School District  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$6,425,179
Receivables:	
Taxes	9,213,555
Accounts	60,954
Intergovernmental	473,428
Inventory	13,585
Nondepreciable Capital Assets	306,322
Depreciable Capital Assets, Net	<u>2,680,302</u>
Total Assets	<u>19,173,325</u>
Liabilities:	
Accounts Payable	216,873
Accrued Wages and Benefits	849,564
Unearned Revenue	7,057,952
Long-Term Liabilities:	
Due Within One Year	196,994
Due In More Than One Year	<u>2,236,283</u>
Total Liabilities	<u>10,557,666</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,873,624
Restricted for:	
Federal Grants	303,137
Other Purposes	605,047
Unrestricted	<u>5,833,851</u>
Total Net Assets	<u><u>\$8,615,659</u></u>

See accompanying notes to the Basic Financial Statements.

St. Bernard-Elmwood Place City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$5,723,475	\$841,675	\$973,547	(\$3,908,253)
Special	1,635,838	0	366,420	(1,269,418)
Other	92,523	0	0	(92,523)
Support Services:				
Pupil	877,909	43,420	240,175	(594,314)
Instructional Staff	905,968	282	318,416	(587,270)
General Administration	14,907	0	0	(14,907)
School Administration	939,480	0	0	(939,480)
Fiscal	483,044	0	0	(483,044)
Operations and Maintenance	1,293,247	182	232,498	(1,060,567)
Pupil Transportation	389,698	0	39,188	(350,510)
Central	167,369	0	5,000	(162,369)
Operation of Non-Instructional Services	1,007,585	143,286	835,567	(28,732)
Extracurricular Activities	224,199	54,223	0	(169,976)
Interest and Fiscal Charges	58,462	0	0	(58,462)
Total Governmental Activities	<u>\$13,813,704</u>	<u>\$1,083,068</u>	<u>\$3,010,811</u>	<u>(9,719,825)</u>

General Revenues:	
Property Taxes Levied for:	
General Purposes	4,797,278
Grants and Entitlements not Restricted	5,839,785
Investment Earnings	5,851
Other Revenues	355,819
Total General Revenues	<u>10,998,733</u>
Change in Net Assets	1,278,908
Net Assets Beginning of Year	<u>7,336,751</u>
Net Assets End of Year	<u>\$8,615,659</u>

See accompanying notes to the Basic Financial Statements.

St. Bernard-Elmwood Place City School District  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$3,800,027	\$2,625,152	\$6,425,179
Receivables:			
Taxes	9,213,555	0	9,213,555
Accounts	59,477	1,477	60,954
Intergovernmental	75,000	398,428	473,428
Interfund	833,523	0	833,523
Inventory	0	13,585	13,585
<b>Total Assets</b>	<b>13,981,582</b>	<b>3,038,642</b>	<b>17,020,224</b>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	81,795	135,078	216,873
Accrued Wages and Benefits	751,752	97,812	849,564
Compensated Absences	14,639	0	14,639
Interfund Payable	0	833,523	833,523
Deferred Revenue	7,565,555	350,011	7,915,566
<b>Total Liabilities</b>	<b>8,413,741</b>	<b>1,416,424</b>	<b>9,830,165</b>
Fund Balances:			
Nonspendable	0	13,585	13,585
Restricted	0	592,763	592,763
Assigned	1,451,863	1,192,574	2,644,437
Unassigned	4,115,978	(176,704)	3,939,274
<b>Total Fund Balances</b>	<b>5,567,841</b>	<b>1,622,218</b>	<b>7,190,059</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$13,981,582</b>	<b>\$3,038,642</b>	<b>\$17,020,224</b>

See accompanying notes to the Basic Financial Statements.



St. Bernard-Elmwood Place City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2011

---

Total Governmental Fund Balance		\$7,190,059
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,986,624
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	507,603	
Intergovernmental	<u>350,011</u>	
		857,614
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(1,305,638)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,113,000)</u>
Net Assets of Governmental Activities		<u><u>\$8,615,659</u></u>

See accompanying notes to the Basic Financial Statements.

St. Bernard-Elmwood Place City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$4,865,222	\$0	\$4,865,222
Tuition and Fees	836,967	0	836,967
Investment Earnings	5,851	0	5,851
Intergovernmental	6,268,272	2,510,818	8,779,090
Extracurricular Activities	12,468	88,235	100,703
Charges for Services	0	140,690	140,690
Other Revenues	342,647	17,879	360,526
<b>Total Revenues</b>	<b>12,331,427</b>	<b>2,757,622</b>	<b>15,089,049</b>
Expenditures:			
Current:			
Instruction:			
Regular	5,013,191	722,796	5,735,987
Special	1,524,933	62,610	1,587,543
Other	92,523	0	92,523
Support Services:			
Pupil	653,947	265,023	918,970
Instructional Staff	678,279	206,711	884,990
General Administration	14,907	0	14,907
School Administration	911,162	0	911,162
Fiscal	528,094	0	528,094
Operations and Maintenance	918,187	361,635	1,279,822
Pupil Transportation	383,060	0	383,060
Central	145,486	970	146,456
Operation of Non-Instructional Services	540	1,003,371	1,003,911
Extracurricular Activities	133,352	90,847	224,199
Debt Service:			
Principal Retirement	0	113,000	113,000
Interest and Fiscal Charges	0	58,462	58,462
<b>Total Expenditures</b>	<b>10,997,661</b>	<b>2,885,425</b>	<b>13,883,086</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,333,766</b>	<b>(127,803)</b>	<b>1,205,963</b>
Other Financing Sources (Uses):			
Transfers In	0	676,450	676,450
Transfers (Out)	(676,450)	0	(676,450)
<b>Total Other Financing Sources (Uses)</b>	<b>(676,450)</b>	<b>676,450</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>657,316</b>	<b>548,647</b>	<b>1,205,963</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>4,910,525</b>	<b>1,073,571</b>	<b>5,984,096</b>
<b>Fund Balance End of Year</b>	<b>\$5,567,841</b>	<b>\$1,622,218</b>	<b>\$7,190,059</b>

See accompanying notes to the Basic Financial Statements.

St. Bernard-Elmwood Place City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2011

---

Net Change in Fund Balance - Total Governmental Funds \$1,205,963

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

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	425,882	
Depreciation Expense	<u>(370,093)</u>	
		55,789

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

Delinquent Property Taxes	(67,944)	
Intergovernmental	<u>71,507</u>	
		3,563

Repayment of capital lease principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 113,000

Some expenses reported in the statement of activities do not require the  
 use of current financial resources and therefore are not reported as  
 expenditures in governmental funds.

Compensated Absences		<u>(99,407)</u>
----------------------	--	-----------------

Change in Net Assets of Governmental Activities		<u><u>\$1,278,908</u></u>
---	--	---------------------------

See accompanying notes to the Basic Financial Statements.

St. Bernard-Elmwood Place City School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

---

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$211,246</u>	<u>\$53,098</u>
Total Assets	<u>211,246</u>	<u>53,098</u>
Liabilities:		
Accounts Payable	0	28,366
Other Liabilities	<u>0</u>	<u>24,732</u>
Total Liabilities	<u>0</u>	<u>\$53,098</u>
Net Assets:		
Held in Trust	<u>211,246</u>	
Total Net Assets	<u>\$211,246</u>	

See accompanying notes to the Basic Financial Statements.

St. Bernard-Elmwood Place City School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2011

---

	Private Purpose Trust
Additions:	
Donations	\$5,180
Other	725
Total Additions	<u>5,905</u>
Deductions:	
Other	<u>7,540</u>
Total Deductions	<u>7,540</u>
Change in Net Assets	(1,635)
Net Assets Beginning of Year	<u>212,881</u>
Net Assets End of Year	<u><u>\$211,246</u></u>

See accompanying notes to the Basic Financial Statements.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

---

**Note 1 – Description of the District**

---

The St. Bernard-Elmwood Place City School District (the District) was chartered by the Ohio State Legislature in 1968. Prior to 1968, Elmwood Place and St. Bernard were separate school districts. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies.

The District is the fifth smallest in Hamilton County in terms of enrollment. It currently operates two elementary schools (grades preschool-6 and grades K-6), and one junior/senior high school (grades 7-12).

**Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) Statement 14, the reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the 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.

**Note 2 – Summary of Significant Accounting Policies**

---

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

**Measurement Focus**

**Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

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

**Fund Financial Statements**

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

The private purpose trust fund is reported using the economic resources measurement focus.

**Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

**Governmental Funds**

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

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

**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 custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's has a student activity Agency fund which accounts for assets and liabilities generated by student managed activities. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

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



**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

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

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

**Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2011 amounted to \$5,851 for the General Fund.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

**Capital Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10-50 years
Equipment	5-20 years

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	1.75-2.25 days per month	10-21 days for each service year depending on length of service.
Maximum Accumulation	Not Applicable	Must use annually	Must use annually
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	260 days	Number of days in contract -- 275	Number of days in contract -- 215-260
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

**Net Assets**

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$908,184 in restricted net assets, none were restricted by enabling legislation.

**Interfund Activity**

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

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be uses.

**Estimates**

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

**Note 3 – Equity in Pooled Cash and Investments**

---

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$6,069,065 of the District's bank balance of \$6,596,412 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Investments**

As of June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAROhio	<u>\$313,561</u>	0.16

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. Investments in STAROhio were rated AAAM by Standards & Poor's.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested only in STAROhio.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

---

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Note 4 – Property Taxes**

---

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

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and interexchange 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 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available for advance can vary based on the date the tax bills are sent.



**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2011. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011, was \$1,723,000 for General Fund, and is recognized as revenue.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$102,540,000
Public Utility Personal	<u>6,200,000</u>
Total	<u><u>\$108,740,000</u></u>

**Note 5 – Receivables**

---

Receivables at June 30, 2011, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

**Note 6 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$306,322	\$0	\$0	\$306,322
Total Capital Assets, not being depreciated	306,322	0	0	306,322
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	8,100,083	29,632	0	8,129,715
Equipment	1,268,511	396,250	0	1,664,761
<i>Total Capital Assets, being depreciated:</i>	9,368,594	425,882	0	9,794,476
Totals at Historical Cost	<u>9,674,916</u>	<u>425,882</u>	<u>0</u>	<u>10,100,798</u>
Less Accumulated Depreciation:				
Buildings and Improvements	5,843,062	267,426	0	6,110,488
Equipment	901,019	102,667	0	1,003,686
Total Accumulated Depreciation	<u>6,744,081</u>	<u>370,093</u>	<u>0</u>	<u>7,114,174</u>
Governmental Activities Capital Assets, Net	<u>\$2,930,835</u>	<u>\$55,789</u>	<u>\$0</u>	<u>\$2,986,624</u>

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$244,772
Special	24,335
Support Services:	
Instructional Staff	16,783
School Administration	26,720
Fiscal	4,768
Operations and Maintenance	27,617
Pupil Transportation	5,591
Central	17,760
Operation of Non-Instructional Services	1,747
Total Depreciation Expense	<u><u>\$370,093</u></u>

**Note 7 – Long-Term Liabilities**

---

	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
<b>Governmental Activities:</b>					
Capital Lease	\$1,226,000	\$0	\$113,000	\$1,113,000	\$118,000
Compensated Absences	<u>1,245,952</u>	<u>168,028</u>	<u>93,703</u>	<u>1,320,277</u>	<u>78,994</u>
Total Governmental Activities	<u><u>\$2,471,952</u></u>	<u><u>\$168,028</u></u>	<u><u>\$206,703</u></u>	<u><u>\$2,433,277</u></u>	<u><u>\$196,994</u></u>

The capital lease will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

**Note 8 – Capital Leases – Lessee Disclosure**

---

In prior years capital lease proceeds that were recorded in the Permanent Improvement Fund relate to the installation of an HVAC system in the District. The District is leasing the project from the Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned National City Bank as trustee. The lease is renewable annually and expires in 2019. The intention of the District is to renew the lease annually.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

The District began the project in fiscal year 2005. The District made \$113,000 in principal payments for fiscal year 2011. The principal amount owed on the lease at year end is \$1,113,000.

The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 4.73% plus an annual administrative fee. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30	Long-Term Debt
2012	\$170,875
2013	171,043
2014	169,943
2015	169,575
2016	168,912
2017-2019	<u>506,586</u>
Total Minimum Lease Payments	\$1,356,934
Less: Amount Representing Interest (4.73%)	(236,379)
Less: Additional Program Cost Component	<u>(7,555)</u>
Present Value of Minimum Lease Payments	<u><u>\$1,113,000</u></u>

Capital assets acquired under capital leases are as follows:

Equipment	\$1,760,000
-----------	-------------

**Note 9 - Pension Plans**

---

**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report 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](http://www.ohsers.org) under *Employers/Audit Resources*.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$330,369, \$320,163, and \$336,574, respectively; 86% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**State Teachers Retirement System of Ohio**

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$1,313,086, \$1,272,141, and \$1,288,353, respectively; 91% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Note 10- Post Employment Benefits**

---

**School Employees Retirement System of Ohio**

Plan Description

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

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

Medicare Part B Plan

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 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the years ended June 30, 2011, 2010 and 2009 were \$17,934, \$17,380 and \$18,031, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 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. At June 30, 2011, the health care allocation was 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. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$33,745, \$10,520, and \$100,011, respectively; 86% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.



**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

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](http://www.ohsers.org) under *Employers/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All 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. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$93,792, \$90,867, and \$92,025, respectively; 91% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

---

**Note 11 – Contingent Liabilities**

---

**Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2011.

**Litigation**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**Duke Energy Contingency**

In June, 2010 Duke Energy notified School District customers in southwest Ohio that it had appealed its personal property valuation with the Ohio Department of Taxation and was going to reduce its tax payments while the appeal was in process. The impact on the District is estimated at \$129,305 per year if Duke wins the appeal. Duke indicated that it would begin deducting half that amount from its tax payments beginning in fiscal year 2011. The District believes that the valuation method used by the Ohio Department of Taxation is correct and will be upheld. However, the District has adjusted its forecasted tax revenues to reflect this change and has sufficient cash reserves to cover the repayment of taxes that would be necessary if Duke wins the appeal.

**Note 12 - Jointly Governed Organizations**

---

**The Hamilton/Clermont Cooperative Association (H/CCA)** is a jointly governed organization consisting of 31 school districts. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. Each of the governments of these schools supports H/CCA and shares in a percentage of the equity based on the resources provided. H/CCA is governed by a board of directors consisting of the superintendents or designees of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained by writing to Hamilton/Clermont Cooperative Association, 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

**The Great Oaks Institute of Technology and Career Development**, a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a board consisting of a representative from each participating school district's elected board. That board possesses its own budgeting and taxing authority. The Great Oaks Institute of Technology and Career Development provides academic preparation and job training which lead to employment and/or further education upon graduation from high school. The District has no ongoing financial interest in or responsibility for the Vocational School. To obtain financial information write to the Great Oaks Institute of Technology and Career Development, 3254 East Kemper Road, Cincinnati, Ohio 45241-1581.

**Note 13 – OSBA Group Rating Program**

---

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (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.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP 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 GRP. 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 GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District participates in Greater Cincinnati Insurance Consortium (GCIC) Self-Insurance Program, a shared risk pool, comprised of other area school districts. Each member pays an administrative fee to the pool. Each school district has a representative on the assembly (usually the superintendent or designee).

**Note 14 – 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. The District carries insurance coverage with the following companies:

<u>Coverage</u>	<u>Company</u>
Automobile	Ohio School Plan
Property	Ohio School Plan
General Liability	Ohio School Plan

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

Limits and deductible amounts for the above policies vary accordingly.

<u>Coverage</u>	<u>Limits</u>	<u>Deductibles</u>
Automobile	\$2,000,000 each occurrence	\$250 collision
Property	Covered for value of loss	\$1,000 each loss
General Liability	\$2,000,000 each occurrence \$4,000,000 general aggregate	

The District pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three years.

The District participates in the Greater Cincinnati Insurance Consortium, an insurance purchasing pool. The District can obtain better coverage and/or lower premiums by purchasing health, dental, and life insurance benefits through the pool.

**Note 15 – Accountability**

---

The following individual funds had a deficit in fund balance at year end:

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Auxiliary Services	\$4,984
Poverty Aid	9,255
Race To The Top	4,000
Special Education	117,069
Title I	33,825
Improving Teacher Quality	7,571

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**Note 16 – 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.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2010	(\$491,170)	\$0
Current Year Set Aside Requirements	133,211	133,211
Qualified Disbursements	<u>(245,535)</u>	<u>(195,639)</u>
Set Aside Reserve Balance as of June 30, 2011	<u><u>(\$603,494)</u></u>	<u><u>(\$62,428)</u></u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements and current year offset for capital maintenance reserve during the year exceeded the required set-aside and reserve balance. Qualifying disbursements plus prior year carryover for textbook reserve during the year were \$736,705, which exceeded the required set aside plus prior year carryover.

**Note 17 – Interfund Transactions**

---

Interfund transactions at June 30, 2011, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$833,523	\$0	\$0	\$676,450
Other Governmental Funds	<u>0</u>	<u>833,523</u>	<u>676,450</u>	<u>0</u>
Total All Funds	<u><u>\$833,523</u></u>	<u><u>\$833,523</u></u>	<u><u>\$676,450</u></u>	<u><u>\$676,450</u></u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

**Note 18 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
<b>Nonspendable:</b>			
Inventory	\$0	\$13,585	\$13,585
<b>Total Nonspendable</b>	<b>0</b>	<b>13,585</b>	<b>13,585</b>
<b>Restricted for:</b>			
Other Grants	0	254,591	254,591
Student Activity	0	7,092	7,092
Management Information System	0	19,932	19,932
Public Preschool	0	4,827	4,827
Entry Year Programs	0	7,100	7,100
Data Communication	0	40,684	40,684
Ohio Reads	0	3,549	3,549
Summer Intervention	0	16,519	16,519
Vocational Education Enhancement	0	17,189	17,189
Alternative Schools	0	14,773	14,773
Vocational Education	0	817	817
Title V	0	7,808	7,808
Drug-Free Schools	0	2,930	2,930
Miscellaneous Federal Grants	0	17,068	17,068
Food Service	0	174,858	174,858
Title II-D	0	2,883	2,883
Title III	0	143	143
<b>Total Restricted</b>	<b>0</b>	<b>592,763</b>	<b>592,763</b>
<b>Assigned to:</b>			
Debt Service	0	523,331	523,331
Permanent Improvement	0	669,243	669,243
Encumbrances	1,451,863	0	1,451,863
<b>Total Assigned</b>	<b>1,451,863</b>	<b>1,192,574</b>	<b>2,644,437</b>
<b>Unassigned (Deficit)</b>	<b>4,115,978</b>	<b>(176,704)</b>	<b>3,939,274</b>
<b>Total Fund Balance</b>	<b>\$5,567,841</b>	<b>\$1,622,218</b>	<b>\$7,190,059</b>

**St. Bernard-Elmwood Place City School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2011**

---

**Note 19 – Change in Accounting Principles and Restatement of Fund Balance**

---

**Change in Accounting Principles**

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

**Restatement of Fund Balance**

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	General Fund	Other Governmental Funds
	<u>                    </u>	<u>                    </u>
Fund Balance, June 30, 2010	\$4,845,747	\$1,138,349
Fund Reclassification	64,778	(64,778)
Fund Balance, June 30, 2010 - Restated	<u>\$4,910,525</u>	<u>\$1,073,571</u>

St. Bernard-Elmwood Place City School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$4,538,392	\$4,538,392	\$4,690,222	\$151,830
Tuition and Fees	809,162	809,162	836,232	27,070
Investment Earnings	5,662	5,662	5,851	189
Intergovernmental	6,065,358	6,065,358	6,268,272	202,914
Other Revenues	298,466	298,466	308,451	9,985
<b>Total Revenues</b>	<b>11,717,040</b>	<b>11,717,040</b>	<b>12,109,028</b>	<b>391,988</b>
Expenditures:				
Current:				
Instruction:				
Regular	5,201,757	5,201,757	5,107,502	94,255
Special	1,552,816	1,552,816	1,524,679	28,137
Other	94,230	94,230	92,523	1,707
Support Services:				
Pupil	636,718	636,718	625,181	11,537
Instructional Staff	704,915	704,915	692,142	12,773
General Administration	15,131	15,131	14,857	274
School Administration	912,850	912,850	896,309	16,541
Fiscal	539,152	539,152	529,383	9,769
Operations and Maintenance	938,316	938,316	921,314	17,002
Pupil Transportation	404,390	404,390	397,063	7,327
Central	146,227	146,227	143,577	2,650
Extracurricular Activities	137,030	137,030	134,547	2,483
<b>Total Expenditures</b>	<b>11,283,532</b>	<b>11,283,532</b>	<b>11,079,077</b>	<b>204,455</b>
Excess of Revenues Over (Under) Expenditures	433,508	433,508	1,029,951	596,443
Other Financing Sources (Uses):				
Advances In	110,473	110,473	114,169	3,696
Advances (Out)	(529,021)	(529,021)	(519,435)	9,586
Transfers (Out)	(727,823)	(727,823)	(714,635)	13,188
<b>Total Other Financing Sources (Uses)</b>	<b>(1,146,371)</b>	<b>(1,146,371)</b>	<b>(1,119,901)</b>	<b>26,470</b>
Net Change in Fund Balance	(712,863)	(712,863)	(89,950)	622,913
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,663,417	3,663,417	3,663,417	0
<b>Fund Balance End of Year</b>	<b>\$2,950,554</b>	<b>\$2,950,554</b>	<b>\$3,573,467</b>	<b>\$622,913</b>

See accompanying notes to the required supplementary information.



**St. Bernard-Elmwood Place City School District**  
**Notes to the Required Supplementary Information**  
**For The Year Ended June 30, 2011**

---

---

**Note 1 – Budgetary Process**

---

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount 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 the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

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

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

**St. Bernard-Elmwood Place City School District**  
**Notes to the Required Supplementary Information**  
**For The Year Ended June 30, 2011**

---

---

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

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$657,316
Revenue Accruals	(222,399)
Expenditure Accruals	76,844
Transfer (Out)	(38,185)
Advances In	114,169
Advances (Out)	(519,435)
Encumbrances	<u>(158,260)</u>
Budget Basis	<u><u>(\$89,950)</u></u>

**ST. BERNARD-ELMWOOD PLACE CITY SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture:</u></b>				
<i>(Passed through Ohio Department of Education)</i>				
Fresh Fruit and Vegetable Program	n/a	10.582	\$ 8,707	8,707
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	LLP4-2011	10.555	50,984	50,984
<i>Cash Assistance:</i>				
School Breakfast Program	05PU-2011	10.553	70,960	70,960
National School Lunch Program	LLP4-2011	10.555	298,984	298,984
<i>Cash Assistance Subtotal</i>			<u>369,944</u>	<u>369,944</u>
Nutrition Cluster Total			<u>420,928</u>	<u>420,928</u>
Total U.S. Department of Agriculture			<u>429,635</u>	<u>429,635</u>
<b><u>U.S. Department of Education:</u></b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	C1S1-2011	84.010	500,758	446,526
ARRA - Title I Grants to Local Educational Agencies	ARRA-2011	84.389	106,895	129,035
Title I, Part A Cluster Total			<u>607,653</u>	<u>575,561</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2011	84.027	277,843	284,241
ARRA - Special Education - Grants to States	ARRA-2011	84.391	261,838	179,737
Special Education Cluster Total			<u>539,681</u>	<u>463,978</u>
Education Technology State Grants Cluster:				
Education Technology State Grants	TJS1-2011	84.318	3,726	1,050
ARRA - Education Technology State Grants	n/a	84.386	143,799	150,104
Education Technology State Grants Cluster Total			<u>147,525</u>	<u>151,154</u>
Safe and Drug-Free Schools and Communities	DRS1-2011	84.186	2,983	-
English Language Acquisition Grants	T3S1/T3S2-2010	84.365	-	677
Improving Teacher Quality State Grants	TRS1-2011	84.367	77,885	28,654
ARRA - Race To The Top	ARRA -2011	84.395	-	4,000
ARRA - State Fiscal Stabilization Fund	ARRA -2011	84.394	210,722	232,498
Total U.S. Department of Education			<u>1,586,449</u>	<u>1,456,522</u>
Total Federal Awards			<u>\$ 2,016,084</u>	<u>1,886,157</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed.

**NOTE C - NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

To the Board of Education  
St. Bernard-Elmwood Place City School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Bernard-Elmwood Place City School District ("District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2011 wherein we noted the District adopted the provisions of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs as item 2011-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

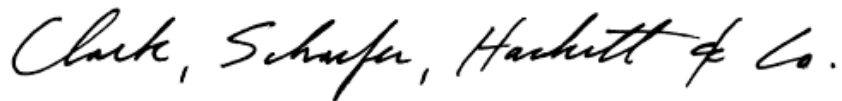
Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 20, 2011.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co.".

Cincinnati, Ohio  
December 20, 2011

## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
St. Bernard-Elmwood Place City School District:

### Compliance

We have audited St. Bernard-Elmwood Place City School District's ("District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questions costs as item 2011-2.

### Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding identified in our audit is described in accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 20, 2011

**ST. BERNARD-ELMWOOD PLACE SCHOOL DISTRICT**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2011

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued :	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to financial statements noted?	no

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? yes

Identification of major programs:

*Special Education Cluster:*

*CFDA 84.027 – Special Education - Grants to States*

*CFDA 84.391 – ARRA-Special Education - Grants to States*

*Title I, Part A Cluster:*

*CFDA 84.010 - Title I Grants to Local Educational Agencies*

*CFDA 84.389 – ARRA-Title I Grants to Local Educational Agencies*

*Nutrition Cluster:*

*CFDA 10.553 – School Breakfast Program*

*CFDA 10.555 – National School Lunch Program*

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

Auditee qualified as low-risk auditee? Yes



## Section II - Financial Statement Findings

### Finding 2011-1- Audit Adjustments

**Condition** – Throughout the year, the District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. During the course of our audit, we identified misstatements in the financial statements that were not initially identified by the District's internal control over financial reporting. The audit adjustments were necessary to properly classify fund balances in accordance with the District's implementation of the requirements of GASB Statement 54.

**Recommendation** – We recommend the District enhance its internal controls over financial reporting with steps such as management's review of conversion documentation for completeness and accuracy and improved communication with its hired consultants to ensure the preparation of reliable financial statements in conformity with generally accepted accounting principles.

**Management response:** *Management concurs with the finding.*

## Section III – Federal Award Findings and Questioned Costs

### DEPARTMENT OF EDUCATION

#### Finding 2011-2 - Title I Grants to Local Educational Agencies - ARRA - CFDA No. 84.389 and Special Education Cluster – ARRA – CFDA No. 84.391

**Condition:** We performed tests to determine if the District was properly reporting vendors that received a single payment, from a single ARRA grant, in excess of \$25,000 to the Ohio Department of Education (ODE) on the 1512 ARRA Subrecipient Vendor report. We noted two payments to vendors which appear to meet the criteria to be reported in accordance with ODE 1512 ARRA Subrecipient Vendor reporting requirements but were not reported.

**Criteria:** American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) & (c) requires any entity that receives certain Recovery funds directly from the Federal government to submit a report to the Federal Agency no later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. The District did not receive direct ARRA funding. However, the Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance states that ODE, as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. Further, the ODE's reporting guidance indicates that ODE distributes ARRA funds to local education agencies (LEAs) as subrecipients and must collect quarterly data from LEAs to meet the 1512 reporting requirements associated with ARRA funding. Thus, the 1512 reporting requirements filter down to the District and the District is required to report certain information to ODE. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000.

**Effect:** The failure to properly report 1512 information in accordance with program requirements could cause the ODE's 1512 reporting to be inaccurate.

**Cause:** The District did not implement specific procedures to ensure that all vendors receiving single payments of \$25,000, from a single ARRA grant, were reported on the ODE 1512 ARRA Subrecipient Vendor report on a quarterly basis.

*Recommendation:* We recommend the District implement procedures to ensure that all vendors receiving single payments of \$25,000 are reported on the ODE 1512 ARRA Subrecipient Vendor report to comply with federal regulations.

*Management response:* Management concurs with the finding.

**Section IV – Schedule of Prior Audit Findings**

None noted.

### Independent Accountants' Report on Applying Agreed-Upon Procedure

St. Bernard-Elmwood Place City School District  
Hamilton County  
105 Washington Avenue  
Cincinnati, Ohio 45217

To the Board of Education:


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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether St. Bernard-Elmwood Place City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 27, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



Cincinnati, Ohio  
December 20, 2011