

Brookville Local School District

Montgomery County

Single Audit

July 1, 2008 through June 30, 2009

Fiscal Year Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

Board of Education  
Brookville Local School District  
325 Simmons Street  
Brookville, Ohio 45309

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

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 10, 2010

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**BROOKVILLE LOCAL SCHOOL DISTRICT**  
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### Independent Auditor's Report

Members of the Board  
Brookville Local School District  
325 Simmons Street  
Brookville, Ohio 45309

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2009 on our consideration of the Brookville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard*. You should it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information 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.

Brookville Local School District  
Independent Auditor's Report  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored, slightly textured background.

Balestra, Harr & Scherer, CPAs, Inc.  
December 29, 2009

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2009**  
**(Unaudited)**

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

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- Net assets of governmental activities increased \$15,164,291 which represents a 149.1% increase from 2008.
- General revenues accounted for \$28,047,883 in revenue or 91.8% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,496,642 or 8.2% of total revenues of \$30,544,525.
- The District had \$15,380,234 in expenses related to governmental activities; \$2,496,642 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$28,047,883 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, Debt Service and Classroom Facilities Funds are the major funds 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 2009?” 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.

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 District presents:

- **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. Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds.

**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.

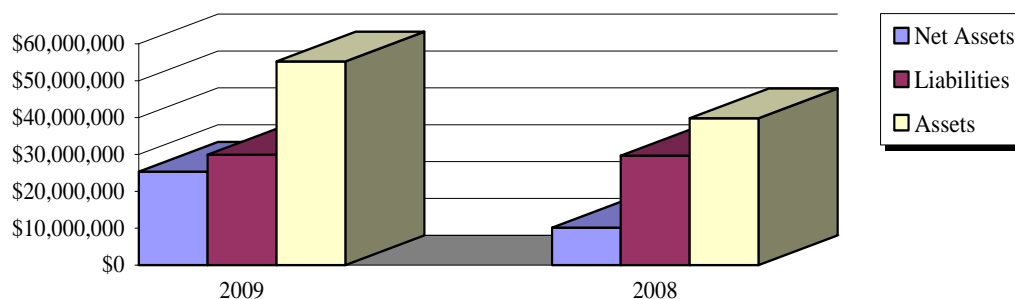
**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs. The accounting used for fiduciary funds is similar to proprietary funds.

## 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 2009 compared to 2008:

**Table 1**  
**Net Assets**

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2009                    | 2008                |
| <b>Assets:</b>                                  |                         |                     |
| Current and Other Assets                        | \$28,618,666            | \$12,413,711        |
| Capital Assets                                  | 26,663,474              | 27,459,986          |
| <b>Total Assets</b>                             | <b>55,282,140</b>       | <b>39,873,697</b>   |
| <b>Liabilities:</b>                             |                         |                     |
| Other Liabilities                               | 7,174,151               | 6,610,867           |
| Long-Term Liabilities                           | 22,773,274              | 23,092,406          |
| <b>Total Liabilities</b>                        | <b>29,947,425</b>       | <b>29,703,273</b>   |
| <b>Net Assets:</b>                              |                         |                     |
| Invested in Capital Assets, Net of Related Debt | 5,053,276               | 5,240,285           |
| Restricted                                      | 18,558,168              | 3,268,048           |
| Unrestricted                                    | 1,723,271               | 1,662,091           |
| <b>Total Net Assets</b>                         | <b>\$25,334,715</b>     | <b>\$10,170,424</b> |



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$25,334,715 .

At year-end, capital assets represented 48% of total assets. Capital assets include land, construction in progress, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2009, was \$5,053,276 . 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.

A portion of the District's net assets, \$18,558,168 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 and Other Assets increased mainly due to an increase in intergovernmental receivable in connection with OSFC building money. Total liabilities remained relatively consistent from fiscal year 2008 to 2009.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

**Table 2**  
**Changes in Net Assets**

|   | Governmental Activities    |                            |
|---|----------------------------|----------------------------|
|   | 2009                       | 2008                       |
| Revenues:                               |                            |                            |
| Program Revenues                        |                            |                            |
| Charges for Services                    | \$1,190,590                | \$1,074,119                |
| Operating Grants, Contributions         | 1,276,884                  | 1,174,059                  |
| Capital Grants and Contributions        | 29,168                     | 27,117                     |
| General Revenues:                       |                            |                            |
| Property Taxes                          | 6,484,782                  | 6,299,015                  |
| Grants and Entitlements                 | 21,344,381                 | 5,900,642                  |
| Other                                   | 218,720                    | 374,939                    |
| Total Revenues                          | <u>30,544,525</u>          | <u>14,849,891</u>          |
| Program Expenses:                       |                            |                            |
| Instruction                             | 7,493,673                  | 7,107,709                  |
| Support Services:                       |                            |                            |
| Pupil and Instructional Staff           | 2,071,962                  | 1,842,048                  |
| School Administrative, General          |                            |                            |
| Administration, Fiscal and Business     | 1,638,607                  | 1,476,837                  |
| Operations and Maintenance              | 1,188,570                  | 1,169,618                  |
| Pupil Transportation                    | 621,048                    | 672,145                    |
| Central                                 | 28,052                     | 33,206                     |
| Operation of Non-Instructional Services | 801,354                    | 791,480                    |
| Extracurricular Activities              | 524,363                    | 492,721                    |
| Interest and Fiscal Charges             | 1,012,605                  | 901,204                    |
| Total Program Expenses                  | <u>15,380,234</u>          | <u>14,486,968</u>          |
| Change in Net Assets                    | 15,164,291                 | 362,923                    |
| Beginning Net Assets                    | <u>10,170,424</u>          | <u>9,807,501</u>           |
| Ending Net Assets                       | <u><u>\$25,334,715</u></u> | <u><u>\$10,170,424</u></u> |

## Governmental Activities

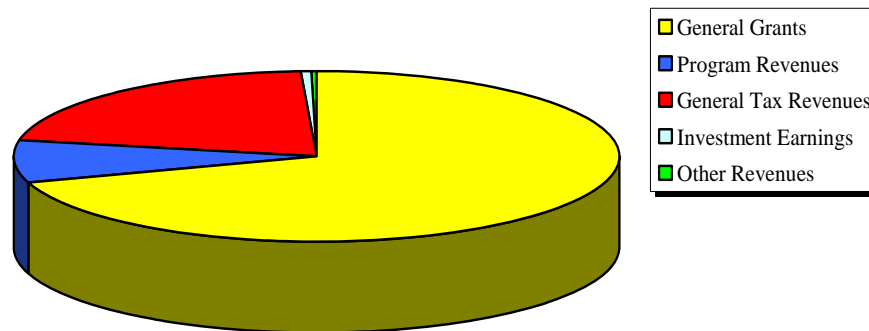
The District revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes, and grants and entitlements comprised 91% of the District's revenues for governmental activities.

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. Property taxes made up 21% of revenue for governmental activities for the District in fiscal year 2009.

## Governmental Activities Revenue Sources

|                       |                     | <u>Percentage</u> |
|-----------------------|---------------------|-------------------|
| General Grants        | \$21,344,381        | 69.9%             |
| Program Revenues      | 2,496,642           | 8.2%              |
| General Tax Revenues  | 6,484,782           | 21.2%             |
| Investment Earnings   | 145,530             | 0.5%              |
| Other Revenues        | 73,190              | 0.2%              |
| Total Revenue Sources | <u>\$30,544,525</u> | <u>100.0%</u>     |



Instruction comprises 48.7% of governmental program expenses. Support services expenses were 36.1% of governmental program expenses. All other expenses including interest expense were 15.2%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total revenues increased largely due to an increase in grants and entitlements for capital construction. Total expenses increased due to general inflationary conditions throughout the District.

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  |                       |
|---|------------------------|---------------------|-----------------------|-----------------------|
|   | 2009                   | 2008                | 2009                  | 2008                  |
| Instruction                             | \$7,493,673            | \$7,107,709         | (\$6,500,191)         | (\$6,352,849)         |
| Support Services:                       |                        |                     |                       |                       |
| Pupil and Instructional Staff           | 2,071,962              | 1,842,048           | (1,777,288)           | (1,472,870)           |
| School Administrative, General          |                        |                     |                       |                       |
| Administration, Fiscal and Business     | 1,638,607              | 1,476,837           | (1,592,612)           | (1,442,045)           |
| Operations and Maintenance              | 1,188,570              | 1,169,618           | (1,108,012)           | (1,159,780)           |
| Pupil Transportation                    | 621,048                | 672,145             | (588,084)             | (578,741)             |
| Central                                 | 28,052                 | 33,206              | (12,887)              | (19,222)              |
| Operation of Non-Instructional Services | 801,354                | 791,480             | (54,968)              | (122,949)             |
| Extracurricular Activities              | 524,363                | 492,721             | (236,945)             | (162,013)             |
| Interest and Fiscal Charges             | 1,012,605              | 901,204             | (1,012,605)           | (901,204)             |
| Total Expenses                          | <u>\$15,380,234</u>    | <u>\$14,486,968</u> | <u>(\$12,883,592)</u> | <u>(\$12,211,673)</u> |

### The District's Funds

The District has three major governmental funds: the General Fund, the Debt Service Fund, and Classroom Facilities Fund. Assets of the general fund comprised \$8,889,414 (31%), the debt service fund comprised \$7,003,127 (25%), and the classroom facilities fund comprised \$10,973,643 (38%) of the total \$28,507,007 governmental funds assets.

**General Fund:** Fund balance at June 30, 2009 was \$3,128,723, an increase in fund balance of \$580,408 from 2008. The increase in fund balance is mainly due to an increase in intergovernmental revenue from fiscal year 2008 to 2009.

**Debt Service Fund:** Fund balance at June 30, 2009 was \$5,788,041, including \$5,699,134 of unreserved balance, and an increase in fund balance of \$4,149,398 from 2008. The primary reason for the increase in fund balance was an increase in intergovernmental revenue for the OSFC project from 2008 to 2009.

**Classroom Facilities Fund:** Fund balance at June 30, 2009 was \$607,628, an increase in fund balance of \$607,628 from 2008. The increase in fund balance is mainly due to an increase in intergovernmental revenue for the OSFC project from fiscal year 2008 to 2009.

### 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.

During the course of fiscal year 2009, the District amended its general fund budget. 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 revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$11,471,000, compared to final budget estimates of \$12,175,700. The difference between the original budget basis and final budget was \$704,700, which was mostly due to underestimates in taxes and intergovernmental revenues.

The District's ending unobligated cash balance was \$3,840,934.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal year 2009, the District had \$26,663,474 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

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

|                            | Governmental Activities |                     |
|----------------------------|-------------------------|---------------------|
|                            | 2009                    | 2008                |
| Land                       | \$935,308               | \$935,308           |
| Construction in Progress   | 137,372                 | 0                   |
| Buildings and Improvements | 23,824,700              | 24,568,392          |
| Equipment                  | 1,766,094               | 1,956,286           |
| Total Net Capital Assets   | <u>\$26,663,474</u>     | <u>\$27,459,986</u> |

Overall, Net Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions.

See Note 5 to the basic financial statements for further details on the District's capital assets.

### Debt

At June 30, 2009, the District had \$21,884,882 in debt outstanding, \$570,000 due within one year. Table 5 summarizes debt outstanding.

**Table 5**  
**Outstanding Debt at Year End**

|  | Governmental Activities |                     |
|--|-------------------------|---------------------|
|  | 2009                    | 2008                |
| General Obligation Bonds:                |                         |                     |
| 2003 Building Construction               | \$3,204,976             | \$3,569,976         |
| 2006 School Improvement Refunding Bonds: |                         |                     |
| Current Interest                         | 17,520,000              | 17,660,000          |
| Capital Appreciation Bonds - Principal   | 674,986                 | 674,986             |
| Capital Appreciation Bonds - Interest    | 274,684                 | 95,362              |
| Premium on Refunding Bonds               | 867,894                 | 905,629             |
| Deferred Amount on Refunding Bonds       | <u>(657,658)</u>        | <u>(686,252)</u>    |
| Total Bonds                              | <u>\$21,884,882</u>     | <u>\$22,219,701</u> |

See Note 8 to the basic financial statements for further details on the District's long-term obligations.

## **For the Future**

A challenge facing the District is the future of state funds. On December 11, 2002, the Ohio Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. 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.

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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 Lori Huffman, Treasurer at Brookville Local School District, 325 Simmons Street, Brookville, Ohio 45309. Or email at [bv-treas@mdeca.org](mailto:bv-treas@mdeca.org).

Brookville Local School District, Ohio  
Statement of Net Assets  
June 30, 2009

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| Assets:   |                                    |
| Equity in Pooled Cash and Investments           | \$7,662,899                        |
| Restricted Cash and Investments                 | 421,608                            |
| Cash and Cash Equivalents with Fiscal Agent     | 3,993,250                          |
| Receivables:                                    |                                    |
| Taxes   | 6,045,097                          |
| Accounts  | 28,341                             |
| Interest  | 4,607                              |
| Intergovernmental                               | 10,267,279                         |
| Deferred Bond Issuance Costs                    | 111,659                            |
| Inventory                                       | 83,926                             |
| Nondepreciable Capital Assets                   | 1,072,680                          |
| Depreciable Capital Assets, Net                 | <u>25,590,794</u>                  |
| <br>Total Assets                                | <br><u>55,282,140</u>              |
| <br>Liabilities:                                |                                    |
| Accounts Payable                                | 134,156                            |
| Accrued Wages and Benefits                      | 1,395,879                          |
| Contracts Payable                               | 137,372                            |
| Accrued Interest Payable                        | 69,242                             |
| Unearned Revenue                                | 5,437,502                          |
| Long-Term Liabilities:                          |                                    |
| Due Within One Year                             | 614,256                            |
| Due In More Than One Year                       | <u>22,159,018</u>                  |
| <br>Total Liabilities                           | <br><u>29,947,425</u>              |
| <br>Net Assets:                                 |                                    |
| Invested in Capital Assets, Net of Related Debt | 5,053,276                          |
| Restricted for:                                 |                                    |
| Special Revenue                                 | 390,139                            |
| Debt Service                                    | 5,867,231                          |
| Capital Projects                                | 11,879,190                         |
| Set-Aside                                       | 421,608                            |
| Unrestricted                                    | <u>1,723,271</u>                   |
| <br>Total Net Assets                            | <br><u><u>\$25,334,715</u></u>     |

See accompanying notes to the basic financial statements.



Brookville Local School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2009

|   | Expenses            | Program Revenues                  |                                       |                                     | Net (Expense) Revenue<br>and Changes in Net Assets |
|---|---------------------|-----------------------------------|---------------------------------------|-------------------------------------|--|
|   |                     | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions | Governmental<br>Activities                         |
| <b>Governmental Activities:</b>         |                     |                                   |                                       |                                     |  |
| <b>Instruction:</b>                     |                     |                                   |                                       |                                     |  |
| Regular                                 | \$6,257,100         | \$187,937                         | \$79,416                              | \$23,000                            | (\$5,966,747)                                      |
| Special                                 | 1,131,110           | 42,441                            | 640,337                               | 0                                   | (448,332)  |
| Vocational                              | 87,519              | 0                                 | 20,351                                | 0                                   | (67,168)   |
| Other                                   | 17,944              | 0                                 | 0                                     | 0                                   | (17,944)   |
| <b>Support Services:</b>                |                     |                                   |                                       |                                     |  |
| Pupil                                   | 956,442             | 0                                 | 93,542                                | 0                                   | (862,900)  |
| Instructional Staff                     | 1,115,520           | 11,240                            | 189,892                               | 0                                   | (914,388)  |
| General Administration                  | 23,969              | 0                                 | 0                                     | 0                                   | (23,969)   |
| School Administration                   | 1,281,274           | 38,104                            | 7,891                                 | 0                                   | (1,235,279)  |
| Fiscal                                  | 328,413             | 0                                 | 0                                     | 0                                   | (328,413)  |
| Business                                | 4,951               | 0                                 | 0                                     | 0                                   | (4,951)  |
| Operations and Maintenance              | 1,188,570           | 80,558                            | 0                                     | 0                                   | (1,108,012)  |
| Pupil Transportation                    | 621,048             | 0                                 | 26,796                                | 6,168                               | (588,084)  |
| Central                                 | 28,052              | 0                                 | 15,165                                | 0                                   | (12,887)   |
| Operation of Non-Instructional Services | 801,354             | 555,901                           | 190,485                               | 0                                   | (54,968)   |
| Extracurricular Activities              | 524,363             | 274,409                           | 13,009                                | 0                                   | (236,945)  |
| Interest and Fiscal Charges             | 1,012,605           | 0                                 | 0                                     | 0                                   | (1,012,605)  |
| <b>Total Governmental Activities</b>    | <b>\$15,380,234</b> | <b>\$1,190,590</b>                | <b>\$1,276,884</b>                    | <b>\$29,168</b>                     | <b>(12,883,592)</b>                                |

**General Revenues:**

Property Taxes Levied for:

|  |            |
|--|------------|
| General Purposes                                 | 5,115,180  |
| Debt Service Purposes                            | 1,330,751  |
| Capital Projects Purposes                        | 38,851     |
| Grants and Entitlements not Restricted           | 6,377,488  |
| Grants and Entitlements for Capital Construction | 14,966,893 |
| Unrestricted Contributions                       | 7,609      |
| Investment Earnings                              | 145,530    |
| Other Revenues                                   | 65,581     |

**Total General Revenues** 28,047,883

Change in Net Assets 15,164,291

Net Assets Beginning of Year 10,170,424

Net Assets End of Year \$25,334,715

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2009

|   | General            | Debt<br>Service    | Classroom<br>Facilities | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|--------------------|-------------------------|--------------------------------|--------------------------------|
| Assets:                                     |                    |                    |                         |                                |                                |
| Equity in Pooled Cash and Investments       | \$3,672,175        | \$1,705,884        | \$745,000               | \$1,539,840                    | \$7,662,899                    |
| Restricted Cash and Investments             | 421,608            | 0                  | 0                       | 0                              | 421,608                        |
| Cash and Cash Equivalents with Fiscal Agent | 0                  | 3,993,250          | 0                       | 0                              | 3,993,250                      |
| Receivables:                                |                    |                    |                         |                                |                                |
| Taxes                                       | 4,707,842          | 1,303,993          | 0                       | 33,262                         | 6,045,097                      |
| Accounts                                    | 10,575             | 0                  | 0                       | 17,766                         | 28,341                         |
| Interest                                    | 0                  | 0                  | 0                       | 4,607                          | 4,607                          |
| Intergovernmental                           | 2,837              | 0                  | 10,228,643              | 35,799                         | 10,267,279                     |
| Inventory                                   | 74,377             | 0                  | 0                       | 9,549                          | 83,926                         |
| <b>Total Assets</b>                         | <b>8,889,414</b>   | <b>7,003,127</b>   | <b>10,973,643</b>       | <b>1,640,823</b>               | <b>28,507,007</b>              |
| Liabilities and Fund Balances:              |                    |                    |                         |                                |                                |
| Liabilities:                                |                    |                    |                         |                                |                                |
| Accounts Payable                            | 104,439            | 0                  | 0                       | 29,717                         | 134,156                        |
| Accrued Wages and Benefits                  | 1,273,399          | 0                  | 0                       | 122,480                        | 1,395,879                      |
| Compensated Absences                        | 0                  | 0                  | 0                       | 22,863                         | 22,863                         |
| Contracts Payable                           | 0                  | 0                  | 137,372                 | 0                              | 137,372                        |
| Deferred Revenue                            | 4,382,853          | 1,215,086          | 10,228,643              | 35,618                         | 15,862,200                     |
| <b>Total Liabilities</b>                    | <b>5,760,691</b>   | <b>1,215,086</b>   | <b>10,366,015</b>       | <b>210,678</b>                 | <b>17,552,470</b>              |
| Fund Balances:                              |                    |                    |                         |                                |                                |
| Reserved for Encumbrances                   | 150,267            | 0                  | 456,497                 | 45,474                         | 652,238                        |
| Reserved for Inventory                      | 74,377             | 0                  | 0                       | 9,549                          | 83,926                         |
| Reserved for Property Tax Advances          | 324,989            | 88,907             | 0                       | 2,050                          | 415,946                        |
| Reserved for Set-Aside                      | 421,608            | 0                  | 0                       | 0                              | 421,608                        |
| Unreserved, Undesignated, Reported in:      |                    |                    |                         |                                |                                |
| General Fund                                | 2,157,482          | 0                  | 0                       | 0                              | 2,157,482                      |
| Special Revenue Funds                       | 0                  | 0                  | 0                       | 340,760                        | 340,760                        |
| Debt Service Funds                          | 0                  | 5,699,134          | 0                       | 0                              | 5,699,134                      |
| Capital Projects Funds                      | 0                  | 0                  | 151,131                 | 1,032,312                      | 1,183,443                      |
| <b>Total Fund Balances</b>                  | <b>3,128,723</b>   | <b>5,788,041</b>   | <b>607,628</b>          | <b>1,430,145</b>               | <b>10,954,537</b>              |
| <b>Total Liabilities and Fund Balances</b>  | <b>\$8,889,414</b> | <b>\$7,003,127</b> | <b>\$10,973,643</b>     | <b>\$1,640,823</b>             | <b>\$28,507,007</b>            |

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2009

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|   |                   |                     |
|---|-------------------|---------------------|
| Total Governmental Fund Balance   |                   | \$10,954,537        |
| 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.   |                   | 26,663,474          |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.  |                   |                     |
| Delinquent Property Taxes   | 191,649           |                     |
| Interest  | 4,406             |                     |
| Intergovernmental   | <u>10,228,643</u> |                     |
|   |                   | 10,424,698          |
| In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources. |                   | (69,242)            |
| 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  | <u>(865,529)</u>  | (865,529)           |
| Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.  |                   | 111,659             |
| Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.   |                   | <u>(21,884,882)</u> |
| Net Assets of Governmental Activities   |                   | <u>\$25,334,715</u> |

See accompanying notes to the basic financial statements.

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

|   | General            | Debt<br>Service    | Classroom<br>Facilities | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|--------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>                                    |                    |                    |                         |                                |                                |
| Taxes   | \$5,049,567        | \$1,317,157        | \$0                     | \$38,564                       | \$6,405,288                    |
| Revenue in lieu of taxes                            | 27,227             | 0                  | 0                       | 0                              | 27,227                         |
| Tuition and Fees                                    | 247,972            | 0                  | 0                       | 0                              | 247,972                        |
| Investment Earnings                                 | 0                  | 0                  | 0                       | 141,124                        | 141,124                        |
| Intergovernmental                                   | 6,619,813          | 4,196,010          | 745,000                 | 797,731                        | 12,358,554                     |
| Extracurricular Activities                          | 87,799             | 0                  | 0                       | 243,178                        | 330,977                        |
| Charges for Services                                | 27                 | 0                  | 0                       | 601,549                        | 601,576                        |
| Other Revenues                                      | 53,687             | 0                  | 0                       | 65,577                         | 119,264                        |
| <b>Total Revenues</b>                               | <b>12,086,092</b>  | <b>5,513,167</b>   | <b>745,000</b>          | <b>1,887,723</b>               | <b>20,231,982</b>              |
| <b>Expenditures:</b>                                |                    |                    |                         |                                |                                |
| <b>Current:</b>                                     |                    |                    |                         |                                |                                |
| <b>Instruction:</b>                                 |                    |                    |                         |                                |                                |
| Regular   | 5,277,130          | 0                  | 0                       | 128,740                        | 5,405,870                      |
| Special   | 866,050            | 0                  | 0                       | 263,980                        | 1,130,030                      |
| Vocational  | 86,940             | 0                  | 0                       | 0                              | 86,940                         |
| Other   | 17,944             | 0                  | 0                       | 0                              | 17,944                         |
| <b>Support Services:</b>                            |                    |                    |                         |                                |                                |
| Pupil   | 803,068            | 0                  | 0                       | 99,146                         | 902,214                        |
| Instructional Staff                                 | 733,486            | 0                  | 0                       | 252,098                        | 985,584                        |
| General Administration                              | 23,969             | 0                  | 0                       | 0                              | 23,969                         |
| School Administration                               | 1,169,131          | 0                  | 0                       | 62,278                         | 1,231,409                      |
| Fiscal  | 306,241            | 19,866             | 0                       | 1,623                          | 327,730                        |
| Business  | 4,951              | 0                  | 0                       | 0                              | 4,951                          |
| Operations and Maintenance                          | 1,168,160          | 0                  | 0                       | 6,750                          | 1,174,910                      |
| Pupil Transportation                                | 567,876            | 0                  | 0                       | 39                             | 567,915                        |
| Central   | 19,052             | 0                  | 0                       | 9,000                          | 28,052                         |
| Operation of Non-Instructional Services             | 0                  | 0                  | 0                       | 771,332                        | 771,332                        |
| Extracurricular Activities                          | 343,939            | 0                  | 0                       | 206,615                        | 550,554                        |
| Capital Outlay                                      | 0                  | 0                  | 137,372                 | 86,490                         | 223,862                        |
| <b>Debt Service:</b>                                |                    |                    |                         |                                |                                |
| Principal Retirement                                | 0                  | 505,000            | 0                       | 0                              | 505,000                        |
| Interest and Fiscal Charges                         | 0                  | 838,903            | 0                       | 0                              | 838,903                        |
| <b>Total Expenditures</b>                           | <b>11,387,937</b>  | <b>1,363,769</b>   | <b>137,372</b>          | <b>1,888,091</b>               | <b>14,777,169</b>              |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>698,155</b>     | <b>4,149,398</b>   | <b>607,628</b>          | <b>(368)</b>                   | <b>5,454,813</b>               |
| <b>Other Financing Sources (Uses):</b>              |                    |                    |                         |                                |                                |
| Transfers In  | 0                  | 0                  | 0                       | 213,895                        | 213,895                        |
| Transfers (Out)                                     | (117,747)          | 0                  | 0                       | (96,148)                       | (213,895)                      |
| <b>Total Other Financing Sources (Uses)</b>         | <b>(117,747)</b>   | <b>0</b>           | <b>0</b>                | <b>117,747</b>                 | <b>0</b>                       |
| <b>Net Change in Fund Balance</b>                   | <b>580,408</b>     | <b>4,149,398</b>   | <b>607,628</b>          | <b>117,379</b>                 | <b>5,454,813</b>               |
| <b>Fund Balance Beginning of Year</b>               | <b>2,548,315</b>   | <b>1,638,643</b>   | <b>0</b>                | <b>1,312,766</b>               | <b>5,499,724</b>               |
| <b>Fund Balance End of Year</b>                     | <b>\$3,128,723</b> | <b>\$5,788,041</b> | <b>\$607,628</b>        | <b>\$1,430,145</b>             | <b>\$10,954,537</b>            |

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
 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, 2009

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Net Change in Fund Balance - Total Governmental Funds \$5,454,813

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 | 366,699            |           |
| Depreciation Expense                           | <u>(1,142,219)</u> | (775,520) |

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (20,992)

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

|                           |                   |            |
|---------------------------|-------------------|------------|
| Delinquent Property Taxes | 79,494            |            |
| Interest                  | 4,406             |            |
| Intergovernmental         | <u>10,228,643</u> | 10,312,543 |

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 505,000

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 1,334

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                         | (137,851)        |           |
| Amortization of Bond Issuance Cost           | (4,855)          |           |
| Amortization of Bond Premium                 | 37,735           |           |
| Amortization of Deferred Charge on Refunding | (28,594)         |           |
| Bond Accretion                               | <u>(179,322)</u> | (312,887) |

Change in Net Assets of Governmental Activities \$15,164,291

See accompanying notes to the basic financial statements.

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

|   | General<br>Fund    |                    |                    |                               |
|---|--------------------|--------------------|--------------------|-------------------------------|
|   | Original<br>Budget | Final<br>Budget    | Actual             | Variance from<br>Final Budget |
| Revenues:   |                    |                    |                    |                               |
| Taxes   | \$4,806,668        | \$5,101,958        | \$5,068,115        | (\$33,843)                    |
| Revenue in lieu of taxes  | 25,823             | 27,409             | 27,227             | (182)                         |
| Tuition and Fees  | 231,650            | 245,881            | 244,250            | (1,631)                       |
| Intergovernmental   | 6,275,629          | 6,661,160          | 6,616,976          | (44,184)                      |
| Extracurricular Activities  | 83,270             | 88,385             | 87,799             | (586)                         |
| Charges for Services  | 25                 | 27                 | 27                 | 0                             |
| Other Revenues  | 47,935             | 50,880             | 50,543             | (337)                         |
| Total Revenues  | <u>11,471,000</u>  | <u>12,175,700</u>  | <u>12,094,937</u>  | <u>(80,763)</u>               |
| Expenditures:   |                    |                    |                    |                               |
| Current:  |                    |                    |                    |                               |
| Instruction:  |                    |                    |                    |                               |
| Regular   | 5,507,967          | 5,369,142          | 5,332,610          | 36,532                        |
| Special   | 887,628            | 865,256            | 859,369            | 5,887                         |
| Vocational  | 88,829             | 86,589             | 86,000             | 589                           |
| Other   | 26,116             | 25,458             | 25,285             | 173                           |
| Support Services:   |                    |                    |                    |                               |
| Pupil   | 824,707            | 803,921            | 798,451            | 5,470                         |
| Instructional Staff   | 751,982            | 733,030            | 728,042            | 4,988                         |
| General Administration  | 26,048             | 25,392             | 25,219             | 173                           |
| School Administration   | 1,222,399          | 1,191,589          | 1,183,481          | 8,108                         |
| Fiscal  | 308,995            | 301,207            | 299,158            | 2,049                         |
| Business  | 5,114              | 4,986              | 4,951              | 35                            |
| Operations and Maintenance  | 1,277,967          | 1,245,756          | 1,237,280          | 8,476                         |
| Pupil Transportation  | 585,032            | 570,286            | 566,406            | 3,880                         |
| Central   | 25,049             | 24,418             | 24,252             | 166                           |
| Extracurricular Activities  | 354,358            | 345,426            | 343,076            | 2,350                         |
| Total Expenditures  | <u>11,892,191</u>  | <u>11,592,456</u>  | <u>11,513,580</u>  | <u>78,876</u>                 |
| Excess of Revenues Over (Under) Expenditures                                      | <u>(421,191)</u>   | <u>583,244</u>     | <u>581,357</u>     | <u>(1,887)</u>                |
| Other financing sources (uses):   |                    |                    |                    |                               |
| Transfers (Out)   | <u>(125,557)</u>   | <u>(117,747)</u>   | <u>(117,747)</u>   | <u>0</u>                      |
| Total Other Financing Sources (Uses)  | <u>(125,557)</u>   | <u>(117,747)</u>   | <u>(117,747)</u>   | <u>0</u>                      |
| Net Change in Fund Balance  | (546,748)          | 465,497            | 463,610            | (1,887)                       |
| Fund Balance Beginning of Year (includes<br>prior year encumbrances appropriated) | <u>3,377,324</u>   | <u>3,377,324</u>   | <u>3,377,324</u>   | <u>0</u>                      |
| Fund Balance End of Year  | <u>\$2,830,576</u> | <u>\$3,842,821</u> | <u>\$3,840,934</u> | <u>(\$1,887)</u>              |

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009

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|                                       | Private Purpose<br>Trust Fund | Agency          |
|---------------------------------------|-------------------------------|-----------------|
| Assets:                               |                               |                 |
| Equity in Pooled Cash and Investments | \$34,303                      | \$51,578        |
| Receivables:                          |                               |                 |
| Accounts                              | 40                            | 464             |
| Total Assets                          | <u>34,343</u>                 | <u>52,042</u>   |
| Liabilities:                          |                               |                 |
| Accounts Payable                      | 0                             | 276             |
| Other Liabilities                     | 0                             | 51,766          |
| Total Liabilities                     | <u>0</u>                      | <u>\$52,042</u> |
| Net Assets:                           |                               |                 |
| Held in Trust                         | <u>34,343</u>                 |                 |
| Total Net Assets                      | <u>\$34,343</u>               |                 |

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2009

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|                              | <u>Private Purpose<br/>Trust Fund</u> |
|------------------------------|---------------------------------------|
| Additions:                   |                                       |
| Donations                    | \$9,702                               |
| Investment Earnings          | <u>559</u>                            |
| Total Additions              | <u>10,261</u>                         |
| Deductions:                  |                                       |
| Scholarships                 | <u>11,265</u>                         |
| Total Deductions             | <u>11,265</u>                         |
| Change in Net Assets         | (1,004)                               |
| Net Assets Beginning of Year | <u>35,347</u>                         |
| Net Assets End of Year       | <u><u>\$34,343</u></u>                |

See accompanying notes to the basic financial statements.



**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2009**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Brookville Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 76 noncertified and approximately 101 certified teaching personnel and administrative employees providing education to 1,566 students.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing board and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Metropolitan Dayton Educational Cooperative Association, a jointly governed organization which provides computer service to thirty (30) school districts. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented later in the notes to the basic financial statements.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

## **B. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

***Governmental Funds*** - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

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

Debt Service Fund - This fund is used for the accumulation of resources for the payment, of general long-term debt principal and interest.

Classroom Facilities Fund - This fund is used to account for receipts and expenditures related to the construction of school facilities.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary 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 therefore not available to support the District's own program. The District's two trust funds are private-purpose trust that account for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation. This fund accounts for student-managed activities.

## **C. Basis of Presentation-Financial Statements**

***Government-wide Financial Statements*** - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

***Fund Financial Statements*** - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Private-purpose trust funds are reported using the economic resources measurement focus.

#### **D. Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, and student fees.

Current property taxes measurable at June 30, 2009, and which are not intended to finance fiscal year 2009 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2009 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

***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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include 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. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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.

## **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only the General Fund is required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

## 1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

## 2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as final budget on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2009.

## 3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications. The amounts reported on the budgetary statements as final budget reflect the final appropriations passed during fiscal year 2009.

## 4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

## 5. Basis of Budgeting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the General Fund:

|                      | <u>General</u>          |
|----------------------|-------------------------|
| GAAP Basis           | \$580,408               |
| Revenue Accruals     | 8,845                   |
| Expenditure Accruals | 127,204                 |
| Encumbrances         | <u>(252,847)</u>        |
| Budget Basis         | <u><u>\$463,610</u></u> |

## **F. Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Each fund's 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 deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$0 and \$141,124 in Other Governmental Funds, (\$140,528 in the Permanent Improvement Fund and \$596 in the Food Service Fund.)

## **G. Inventory**

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

## **H. Capital Assets and Depreciation**

The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

### **1. Property, Plant and Equipment - Governmental Activities**

These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$500.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Estimated historical costs for governmental activities capital asset values were initially determined at June 30, 1993 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

### **2. Depreciation**

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

| <u>Description</u>         | <u>Estimated Lives (in years)</u> |
|----------------------------|-----------------------------------|
| Buildings and Improvements | 20 - 40                           |
| Equipment                  | 5 - 20                            |

## **I. Long-Term Obligations**

Long-term liabilities are being repaid from the following funds:

| <u>Obligation</u>                            | <u>Fund</u>               |
|--|---------------------------|
| General Obligation Bonds and Refunding Bonds | Debt Service Fund         |
| Compensated Absences                         | Termination Benefits Fund |

## **J. Compensated Absences**

In accordance with GASB Statement No. 16, *"Accounting for Compensated Absences,"* vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 294 days for certified and 303 days for classified. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 65 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the termination benefits fund and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

## **K. 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. Of the District's restricted net assets of \$18,558,168, none was restricted by enabling legislation.

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

## **L. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

## **M. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flow 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. Repayment from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. Interfund transactions within governmental activities are eliminated on the entity-wide statement of activities.



## **N. Restricted Assets**

Restricted assets in the general fund represent money set aside to establish a reserve for textbook purchases. This reserve is required by State statute. A fund balance reserve has also been established for this amount.

## **O. Cash with Fiscal Agent**

The District has cash and cash equivalents investments with fiscal agent in the debt service fund. This is a debt service reserve for the District's general obligation bonds.

## **P. Reservations of Fund Balance**

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for set-asides, property tax advances, inventory and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

## **Q. 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 2 - 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 statement of net assets and balance sheet 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 five 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.

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 not 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.

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement 40, "Deposit and Investment Risk Disclosures".

**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, 2009, \$6,271,225 of the District's bank balance of \$7,743,946 was covered by pledged or pooled securities held by the District's financial institutions. The remaining balance of \$1,472,721 was FDIC-insured.

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 at 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, 2009, the District had the following investments:

|                                     | Fair Value         | Weighted Average<br>Maturity (Years) |
|-------------------------------------|--------------------|--------------------------------------|
| Money Market Funds                  | \$3,993,775        | 0.00                                 |
| Federal Home Loan Bank              | 514,220            | 1.22                                 |
| Total Fair Value                    | <u>\$4,507,995</u> |                                      |
| Portfolio Weighted Average Maturity |                    | 0.14                                 |

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.

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 a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District's investments in Money Market Funds and Federal Home Loan Bank were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 88% in Money Market Funds and 12% in Federal Home Loan Bank.

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. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District. The District's investment policy does not address this risk for investments.

### **NOTE 3 – TAXES**

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Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2009 were levied after October 1, 2008 on assessed values as of January 1, 2008, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years with a statistical update every third year. The last revaluation was completed in 2008. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Brookville Local School District. The County Auditor periodically remits to the District its portion of the taxes collected.

The assessed values, upon which the fiscal year 2009 receipts were based, were as follows:

| <u>2008 Second Half Collections</u>            |                      | <u>2009 First Half Collections</u>             |                      |
|--|----------------------|--|----------------------|
| Agricultural/Residential and Other Real Estate | \$179,155,590        | Agricultural/Residential and Other Real Estate | \$181,871,120        |
| Public Utility Personal                        | 4,178,620            | Public Utility Personal                        | 4,222,540            |
| Tangible Personal Property                     | 4,373,528            | Tangible Personal Property                     | 752,600              |
| Total Assessed Value                           | <u>\$187,707,738</u> | Total Assessed Value                           | <u>\$186,846,260</u> |
|  | \$65.04              |  | \$69.03              |

#### **NOTE 4 – RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts receivable, interest receivable, and intergovernmental receivables.

#### **NOTE 5 - CAPITAL ASSETS**

##### **A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2009:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| <b>Governmental Activities</b>                |                              |                    |                  |                           |
| <i>Capital Assets, not being depreciated:</i> |                              |                    |                  |                           |
| Land  | \$935,308                    | \$0                | \$0              | \$935,308                 |
| Construction in Progress                      | 0                            | 137,372            | 0                | 137,372                   |
| <i>Capital Assets, being depreciated:</i>     |                              |                    |                  |                           |
| Buildings and Improvements                    | 29,619,218                   | 56,102             | 22,000           | 29,653,320                |
| Equipment                                     | 4,747,574                    | 173,225            | 0                | 4,920,799                 |
| Totals at Historical Cost                     | <u>\$35,302,100</u>          | <u>\$366,699</u>   | <u>\$22,000</u>  | <u>\$35,646,799</u>       |
| Less Accumulated Depreciation:                |                              |                    |                  |                           |
| Buildings and Improvements                    | \$5,050,826                  | \$778,802          | \$1,008          | \$5,828,620               |
| Equipment                                     | 2,791,288                    | 363,417            | 0                | 3,154,705                 |
| Total Accumulated Depreciation                | <u>7,842,114</u>             | <u>1,142,219</u>   | <u>1,008</u>     | <u>8,983,325</u>          |
| Governmental Activities Capital Assets, Net   | <u>\$27,459,986</u>          | <u>(\$775,520)</u> | <u>\$20,992</u>  | <u>\$26,663,474</u>       |

Depreciation expenses were charged to governmental functions as follows:

|   |             |
|---|-------------|
| Instruction:                            |             |
| Regular                                 | \$861,544   |
| Special                                 | 1,533       |
| Vocational                              | 579         |
| Support Services:                       |             |
| Pupil                                   | 1,929       |
| Instructional Staff                     | 128,277     |
| School Administration                   | 14,161      |
| Fiscal                                  | 568         |
| Operations and Maintenance              | 26,213      |
| Pupil Transportation                    | 47,882      |
| Operation of Non-Instructional Services | 32,161      |
| Extracurricular Activities              | 27,372      |
| Total Depreciation Expense              | \$1,142,219 |

## **NOTE 6 - PENSION PLANS**

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### **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*.

#### 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, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% 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, 2009, 2008, and 2007 were \$288,780, \$308,268 and \$304,080 respectively; 53% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

## **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.

### 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.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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, 2009, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2009, 2008, and 2007 were \$827,088, \$785,172, and \$838,596, respectively; 82% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

## **NOTE 7 - POST EMPLOYMENT BENEFITS**

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### **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.

#### 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 2009 was \$96.40; 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 2009, the actuarially required allocation was .75%. District contributions for the year ended June 30, 2009, 2008 and 2007 were \$15,470, \$14,973 and \$16,290, 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, 2009, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$85,809, \$73,104, and \$72,110, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](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 year ended June 30, 2009, 2008 and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$59,078, \$56,084, and \$59,899, respectively.

### **NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in the bonds and compensated absences of the District for the year ended June 30, 2009 is as follows:

|  | <u>Interest<br/>Rate</u> | <u>Beginning<br/>Balance</u> | <u>Issued</u>    | <u>Retired</u>     | <u>Ending<br/>Balance</u> | <u>Due In<br/>One Year</u> |
|--|--------------------------|------------------------------|------------------|--------------------|---------------------------|----------------------------|
| <b>Governmental Activities:</b>        |                          |                              |                  |                    |                           |                            |
| General Obligation Bonds:              |                          |                              |                  |                    |                           |                            |
| 2003 Building Construction             | 1.25-5.52%               | \$3,569,976                  | \$0              | (\$365,000)        | \$3,204,976               | \$425,000                  |
| 2006 Refunding:                        |                          |                              |                  |                    |                           |                            |
| Current Interest Bonds                 | 3.50-4.13%               | 17,660,000                   | 0                | (140,000)          | 17,520,000                | 145,000                    |
| Capital Appreciation Bonds - Principal |                          | 674,986                      | 0                | 0                  | 674,986                   | 0                          |
| Capital Appreciation Bonds - Interest  |                          | 95,362                       | 179,322          | 0                  | 274,684                   | 0                          |
| Premium                                |                          | 905,629                      | 0                | (37,735)           | 867,894                   | 0                          |
| Deferred Amount                        |                          | <u>(686,252)</u>             | <u>0</u>         | <u>28,594</u>      | <u>(657,658)</u>          | <u>0</u>                   |
| Subtotal Bonds                         |                          | 22,219,701                   | 179,322          | (514,141)          | 21,884,882                | 570,000                    |
| Compensated Absences                   |                          | <u>872,705</u>               | <u>186,153</u>   | <u>(170,466)</u>   | <u>888,392</u>            | <u>44,256</u>              |
| Total Governmental Activities          |                          |                              |                  |                    |                           |                            |
| Long-Term Liabilities                  |                          | <u>\$23,092,406</u>          | <u>\$365,475</u> | <u>(\$684,607)</u> | <u>\$22,773,274</u>       | <u>\$614,256</u>           |

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the termination benefits fund.

#### **A. Prior Year Defeasance of Debt**

As a result of the December 2006 advance refunding, the \$18,504,986 of 2003 bonds that were originally for improvements, renovations, and additions to school facilities are considered defeased and the liability is therefore not included on the Statement of Net Assets. The remaining balance on the refunded general obligation bonds as of June 30, 2009 was \$19,359,861.

## B. Refunded Bonds

In December 2006, the District advance refunded \$18,504,986 in bonds that were originally for improvements, renovations, and additions to school facilities. The \$981,099 premium on the issuance of these refunding bonds will be amortized over the remaining life of the debt which has a final maturity date of December 1, 2031. The debt will be retired from the debt service fund.

The refunding bonds are not subject to optional redemption prior to maturity. Of the \$18,504,986 issued, \$17,830,000 represents serial bonds and \$674,986 is capital appreciation bonds. The serial bonds mature at varying amounts through December 1, 2031.

The capital appreciation bonds will mature in fiscal years 2015, 2016, 2017, 2018, and 2019. The final maturity amount of the bonds is \$2,780,000.

The deferred amount on the refunding is \$854,875. This represents the difference between the payments to refunding bond escrow agent of \$19,359,861 and the issuance of refunding bonds of \$18,504,986.

## C. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2009 follows:

| Fiscal Year<br>Ending June 30 | Current Interest Bonds |                     |                     | Capital Appreciation |                    |                    |
|-------------------------------|------------------------|---------------------|---------------------|----------------------|--------------------|--------------------|
|                               | Principal              | Interest            | Total               | Principal            | Interest           | Total              |
| 2010                          | \$570,000              | \$821,308           | \$1,391,308         | \$0                  | \$0                | \$0                |
| 2011                          | 590,000                | 799,914             | 1,389,914           | 0                    | 0                  | 0                  |
| 2012                          | 660,000                | 776,437             | 1,436,437           | 0                    | 0                  | 0                  |
| 2013                          | 685,000                | 751,849             | 1,436,849           | 0                    | 0                  | 0                  |
| 2014                          | 715,000                | 725,045             | 1,440,045           | 0                    | 0                  | 0                  |
| 2015-2019                     | 764,976                | 3,960,793           | 4,725,769           | 674,986              | 2,105,014          | 2,780,000          |
| 2020-2024                     | 5,415,000              | 3,035,270           | 8,450,270           | 0                    | 0                  | 0                  |
| 2025-2029                     | 6,840,000              | 1,781,140           | 8,621,140           | 0                    | 0                  | 0                  |
| 2030-2032                     | 4,485,000              | 292,387             | 4,777,387           | 0                    | 0                  | 0                  |
| <b>Total</b>                  | <b>\$20,724,976</b>    | <b>\$12,944,143</b> | <b>\$33,669,119</b> | <b>\$674,986</b>     | <b>\$2,105,014</b> | <b>\$2,780,000</b> |

**NOTE 9 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2009, the reserve activity (cash-basis) was as follows:

|   | <u>Textbooks</u> | <u>Capital Acquisition Reserve</u> |
|---|------------------|------------------------------------|
| Set-aside Reserve Balance as of June 30, 2008 | \$287,510        | \$0                                |
| Current Year Set-aside Requirement            | 232,485          | 232,485                            |
| Qualified Disbursements                       | (98,387)         | (51,130)                           |
| Current Year Offsets                          | 0                | (181,355)                          |
| Total   | <u>\$421,608</u> | <u>\$0</u>                         |
| Set-Aside Reserve Balance as of June 30, 2009 | <u>\$421,608</u> | <u>\$0</u>                         |
| Carried Forward as of June 30, 2009           | \$421,608        |                                    |

**NOTE 10 – INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2009, consisted of the following transfers in and out:

|                          | Transfers        |                  |
|--------------------------|------------------|------------------|
|                          | <u>In</u>        | <u>Out</u>       |
| General                  | \$0              | \$117,747        |
| Other Governmental Funds | 213,895          | 96,148           |
| Total                    | <u>\$213,895</u> | <u>\$213,895</u> |

Interfund balance/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 budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

The transfer from the Permanent Improvement Fund to the Classroom Facilities Maintenance Fund was to meet the District's ½ mill maintenance requirement with OFSC.

**NOTE 11 - RISK MANAGEMENT**

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The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2009 the District contracted with several different insurance providers for various insurance coverages, as follows:

| <u>Insurance Provider</u>       | <u>Coverage</u>        | <u>Deductible</u> |
|---------------------------------|------------------------|-------------------|
| Arthur J. Gallagher and Company | School Board Liability | \$5,000           |
| Arthur J. Gallagher and Company | Excess Liability       | 0                 |
| Arthur J. Gallagher and Company | Excess Property        | 1,000             |
| Arthur J. Gallagher and Company | Boiler & Machinery     | 3,500             |
| Arthur J. Gallagher and Company | Auto Liability         | 0                 |

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**NOTE 12 - INSURANCE PURCHASING POOL**

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Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (WCGRP) - The District participates in the WCGRP, an insurance purchasing pool. The group rating plan for workers' compensation was established under Section 4123.29 of the Ohio Revised Code. The Plan's business and affairs are conducted by an executive committee elected by members of the cooperative.

Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

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Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties i.e. Auglaize, Butler, Champaign, Clark, Clifton, Darke, Fayette, Green, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Green, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in twelve counties. The Montgomery County Board of Education acts as fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district by the fiscal agent. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Metropolitan Dayton Educational Cooperative Association - The District is a member of the Metropolitan Dayton Educational Cooperative Association (MDECA). MDECA is an association of public school districts in a geographical area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Board of MDECA consists of one representative from each of the participating members. Each member pays an annual membership fee plus any other fees for services performed by the consortium.

**NOTE 14 – CONTINGENCIES**

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**A. Grants**

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

**B. Litigation**

The District’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.

**NOTE 15 – ACCOUNTABILITY**

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

| <u>Other Governmental Funds:</u> | <u>Deficit</u> |
|----------------------------------|----------------|
| IDEA Part B                      | \$2,136        |
| Title I                          | 17,801         |
| Title II-A                       | 4,616          |

These deficits were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur. These deficits do not exist on a cash basis.



**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

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

| Federal Grantor/<br>Pass Through Grantor/<br>Program Title | Grant<br>Year | Federal<br>CFDA<br>Number | Receipts          | Non-Cash<br>Receipts | Disbursements     | Non-Cash<br>Disbursements |
|--|---------------|---------------------------|-------------------|----------------------|-------------------|---------------------------|
| <b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>             |               |                           |                   |                      |                   |                           |
| Nutrition Cluster  |               |                           |                   |                      |                   |                           |
| School Breakfast Program                                   | 2009          | 10.553                    | 7,352             | -                    | 7,352             | -                         |
| National School Lunch Program                              | 2009          | 10.555                    | 131,600           | 48,318               | 131,600           | 48,138                    |
| Total Nutrition Cluster                                    |               |                           | <u>138,952</u>    | <u>-</u>             | <u>138,952</u>    | <u>-</u>                  |
| <b>Total United States Department of Agriculture</b>       |               |                           | 138,952           | -                    | 138,952           | -                         |
| <b>UNITED STATES DEPARTMENT OF EDUCATION</b>               |               |                           |                   |                      |                   |                           |
| <i>Passed through Ohio Department of Education</i>         |               |                           |                   |                      |                   |                           |
| Special Education - Grants to States                       | 2009          | 84.027                    | 293,999           |                      | 302,507           |                           |
| Special Education - Preschool Grant                        | 2009          | 84.173                    | 18,110            |                      | 16,741            |                           |
| Total Special Education Cluster                            |               |                           | <u>312,109</u>    | <u>-</u>             | <u>319,248</u>    | <u>-</u>                  |
| Title I  | 2009          | 84.010                    | 211,094           | -                    | 209,737           | -                         |
| Safe and Drug Free Schools                                 | 2009          | 84.186                    | 3,991             | -                    | 3,991             | -                         |
| State Grants for Innovative Programs                       | 2009          | 84.298                    | 2,484             | -                    | 1,138             | -                         |
| Education Technology State Grants                          | 2009          | 84.318                    | 1,919             | -                    | 1,919             | -                         |
| Improving Teacher Quality State Grants                     | 2009          | 84.367                    | 52,898            | -                    | 49,990            | -                         |
| <b>Total United States Department of Education</b>         |               |                           | <u>584,495</u>    | <u>-</u>             | <u>586,023</u>    | <u>-</u>                  |
| <b>Total Federal Financial Assistance</b>                  |               |                           | <u>\$ 723,447</u> | <u>\$ 48,318</u>     | <u>\$ 724,975</u> | <u>\$ 48,138</u>          |

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

**BOOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

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

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION**

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



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

Members of the Board  
Brookville Local School District  
325 Simmons Street  
Brookville, Ohio 45309

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brookville Local School District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Brookville Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

### **Compliance and Other Matters**

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
December 29, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board  
Brookville Local School District  
325 Simmons Street  
Brookville, Ohio 45309

**Compliance**

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

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

In our opinion, Brookville Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

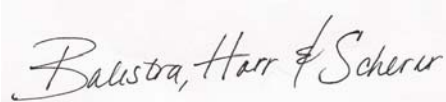
**Internal Control Over Compliance**

The management of Brookville Local School 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 Brookville Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance (Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses

This report is intended solely for the information and use of management, Members of the Board, 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 "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 29, 2009

**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2009**

**SCHEDULE OF FINDINGS AND QUESTION COSTS  
OMB CIRCULAR A-133 SECTION .505**

**SUMMARY OF AUDITOR'S RESULTS**

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

BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
JUNE 30, 2008

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Independent Auditor’s Report on Applying Agreed-Upon Procedures**

Brookville Local School District  
Montgomery County  
325 Simmons Street  
Brookville, Ohio 45309

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - 6) A procedure for documenting any prohibited incident that is reported;
  - 7) A procedure for responding to and investigating any reported incident;

- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
December 29, 2009



Mary Taylor, CPA  
Auditor of State

**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 23, 2010**