

GENERAL PURPOSE FINANCIAL STATEMENTS

of the

Berne Union Local School District

for the

Fiscal Year Ended June 30, 2003

Prepared By

Gina Roop, Treasurer

506 North Main Street

Sugar Grove, Ohio



**Auditor of State
Betty Montgomery**

Board of Education
Berne Union Local School District

We have reviewed the Independent Auditor's Report of the Berne Union Local School District, Fairfield County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 20, 2004

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BERNE UNION LOCAL SCHOOL DISTRICT
For the Year Ended June 30, 2003

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List of Principal Officials

BOARD OF EDUCATION	
Dr. James Parker	President
Mr. John Garber	Vice President
Mr. Ron Edwards	Member
Mr. Frederick Nihiser	Member
Mrs. Sharon Gierhart	Member

TREASURER
Gina Roop

ADMINISTRATION	
Roger Hardin	Superintendent
Robert Starr	High School Principal
Terry McCray	Middle School Principal
Steven Templin	Elementary School Principal



INDEPENDENT AUDITORS' REPORT

Board of Education
Berne Union Local School District
Sugar Grove, Ohio

We have audited the accompanying general purpose financial statements of Berne Union Local School District, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Berne Union Local School District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Berne Union Local School District, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 October 31, 2003 on our consideration of Berne Union Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jones, Cochenour & Co.
October 31, 2003

**Berne Union Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003**

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Totals 2003			
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Agency	Trust and	General	Long Term Debt	(Memorandum Only)		
												Equity in Pooled Cash and Investments	Cash with Fiscal Agent
Equity in Pooled Cash and Investments	\$ 1,087,889	220,380	642,422	0	50,143	8,685	22,509	0	0	0	2,032,028		
Cash with Fiscal Agent	0	0	0	0	0	278,156	0	0	0	0	278,156		
Restricted Cash	126,156	0	0	0	0	0	0	0	0	0	126,156		
Taxes Receivables	2,242,136	36,043	381,633	0	0	0	0	0	0	0	2,659,812		
Intergovernmental Receivables	797	0	0	0	8,493	0	0	0	0	0	9,290		
Accounts Receivable	324	0	0	0	1,303	0	0	0	0	0	1,627		
Inventory	12,363	0	0	0	603	0	0	0	0	0	12,966		
Inventory for Resale	0	0	0	0	4,796	0	0	0	0	0	4,796		
Prepaid Expenses	5,372	2,216	0	0	0	0	0	0	0	0	7,588		
Property, Plant, and Equipment	0	0	0	0	146,494	0	0	14,250,969	0	0	14,397,463		
Accumulated Depreciation, Where Applicable	0	0	0	0	(108,975)	0	0	0	0	0	(108,975)		
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	642,423	0	642,423		
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	3,723,495	0	3,723,495		
Total Assets and Other Debits	\$ 3,475,037	256,639	1,024,055	0	102,857	286,841	22,509	14,250,969	4,365,918	\$ 23,786,825			

See Accompanying Notes to the General Purpose Financial Statements

**Berne Union Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2003**

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Totals 2003 (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service		Agency	Fixed Assets	
Liabilities:										
Intergovernmental Payables	\$ 110,829	5,346	0	0	0	0	0	0	76,780	\$ 192,955
Accounts Payable	56,495	3,421	0	0	24,351	3,454	125	0	0	87,846
Claims Payable	0	0	0	0	0	21,652	0	0	0	21,652
Accrued Salaries and Benefits	505,351	25,730	0	0	0	0	0	0	0	531,081
Deferred Revenue	2,168,602	34,700	365,553	0	0	0	0	0	0	2,568,855
Due to Others	0	0	0	0	0	0	22,384	0	0	22,384
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	3,810,000	3,810,000
Leases Payable	0	0	0	0	0	0	0	0	121,478	121,478
Compensated Absences Payable	24,051	0	0	0	0	0	0	0	357,660	381,711
Total Liabilities	2,865,328	69,197	365,553	0	24,351	25,106	22,509	0	4,365,918	7,737,962
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	14,250,969	0	14,250,969
Contributed Capital	0	0	0	0	132,786	0	0	0	0	132,786
Retained Earnings	0	0	0	0	(54,280)	261,735	0	0	0	207,455
Fund Balances:										
Reserved for Supply Inventory	12,363	0	0	0	0	0	0	0	0	12,363
Reserved for Encumbrances	13,994	7,546	0	0	0	0	0	0	0	21,540
Reserved for Textbooks	26,156	0	0	0	0	0	0	0	0	26,156
Reserved for Budget Stabilization	100,000	0	0	0	0	0	0	0	0	100,000
Reserved for Debt	0	0	642,423	0	0	0	0	0	0	642,423
Reserved for Future Appropriations	73,490	1,343	16,079	0	0	0	0	0	0	90,912
Unreserved Fund Balance	383,706	180,553	0	0	0	0	0	0	0	564,259
Total Fund Balances	609,709	189,442	656,502	0	0	0	0	0	0	1,457,653
Total Fund Balances/Retained Earnings and Other Credits	609,709	189,442	656,502	0	78,506	261,735	0	14,250,969	0	16,048,863
Total Liabilities, Fund Equity, and Other Credits	\$ 3,475,037	258,639	1,024,055	0	102,857	286,841	22,509	14,250,969	4,365,918	\$ 23,786,825

See Accompanying Notes to the General Purpose Financial Statements.

Berne Union Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2003

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 2,201,882	87,583	328,258	0	\$ 2,617,723
Tuition	555,519	0	0	0	555,519
Transportation Fees	5,873	0	0	0	5,873
Earnings on Investments	23,656	0	10,321	0	33,977
Extracurricular Activities	0	71,669	0	0	71,669
Classroom Materials & Fees	181	0	0	0	181
Miscellaneous	19,519	51,649	164	0	71,332
Revenue from Intermediate Sources					
Restricted Grants-in-Aid	0	22,000	0	0	22,000
Revenue from State Sources					
Unrestricted Grants-in-Aid	3,418,510	4,282	43,654	0	3,466,446
Restricted Grants-in-Aid	225,723	42,643	0	0	268,366
Revenue from Federal Sources					
Restricted Grants-in-Aid	6,609	285,401	0	0	292,010
Total Revenue	<u>6,457,472</u>	<u>565,227</u>	<u>382,397</u>	<u>0</u>	<u>7,405,096</u>
EXPENDITURES:					
Instruction					
Regular Instruction	2,964,363	58,385	0	0	3,022,748
Special Instruction	485,554	126,851	0	0	612,405
Vocational/Other Instruction	175,791	0	0	0	175,791
Supporting Services					
Supporting Services - Pupils	282,923	6,644	0	0	289,567
Supporting Services - Instructional Staff	281,745	94,469	0	0	376,214
Supporting Services - Board of Education	8,785	0	0	0	8,785
Supporting Services - Administration	614,789	47,012	0	0	661,801
Fiscal Services	195,820	4,617	6,851	0	207,288
Supporting Services - Business	8,563	0	0	0	8,563
Operation & Maintenance - Plant	741,326	17,237	0	0	758,563
Supporting Services - Pupil Transportation	762,799	19,153	0	0	781,952
Supporting Services - Central	16,172	13,999	0	0	30,171
Operation of Non-instructional Services					
Community Services	9,988	0	0	0	9,988
Extracurricular Activities					
Academic & Subject Oriented	9,535	38,501	0	0	48,036
Occupation Oriented Activities	763	0	0	0	763
Sports Oriented	127,466	39,452	0	0	166,918
Co-Curricular Activities	3,899	0	0	0	3,899
Debt Service					
Repayment of Debt	0	0	432,716	0	432,716
Total Expenditures	<u>6,690,281</u>	<u>466,320</u>	<u>439,567</u>	<u>0</u>	<u>7,596,168</u>
Excess of Revenues Over Expenditures	(232,809)	98,907	(57,170)	0	(191,072)
Other Financing Sources and Uses:					
Other Financing Sources					
Capital Leases	186,070	0	0	0	186,070
Sale & Loss of Assets	1,237	0	0	0	1,237
Transfers-In	0	202	0	0	202
Refund of Prior Year Expenditures	17,339	0	0	0	17,339
Other Financing Uses					
Refund of Prior Years Receipts	0	(120)	0	0	(120)
Net Other Financing Sources and Uses	<u>204,646</u>	<u>82</u>	<u>0</u>	<u>0</u>	<u>204,728</u>
Excess of Revenue Receipts and Other Other Sources Over Expenditure					
Disbursement and Other Uses	(28,163)	98,989	(57,170)	0	13,656
Decrease in Inventory	(2,830)	0	0	0	(2,830)
Beginning Fund Balance	640,702	90,453	715,672	0	1,446,827
Ending Fund Balance	<u>\$ 609,709</u>	<u>189,442</u>	<u>658,502</u>	<u>0</u>	<u>\$ 1,457,653</u>

See Accompanying Notes to the General Purpose Financial Statements.

Berne Union Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 2,196,811	2,196,811	0	37,000	87,623	\$ 50,623
Tuition	621,493	578,493	(43,000)	0	0	0
Transportation Fees	5,873	5,873	0	0	0	0
Earnings on Investment	34,670	23,670	(11,000)	0	0	0
Extracurricular Activities	0	0	0	68,795	71,752	2,957
Classroom Materials & Fees	213	213	0	0	0	0
Miscellaneous	27,514	20,283	(7,231)	52,008	52,008	0
Local Restricted Grants-in-Aid	0	0	0	22,000	22,000	0
State Unrestricted Grants-in-Aid	3,652,111	3,418,510	(233,601)	4,282	4,282	0
State Restricted Grants-in-Aid	264,433	225,723	(38,710)	44,568	44,568	0
Federal Restricted Grants-in-Aid	6,078	6,078	0	286,841	286,841	0
Total Revenue	6,809,196	6,475,654	(333,542)	515,494	569,074	53,580
Expenditures:						
Regular Instruction	3,060,686	2,935,541	125,145	68,452	53,007	15,445
Special Instruction	643,163	524,646	118,517	140,093	127,417	12,676
Vocational/Other Instruction	192,953	176,277	16,676	0	0	0
Supporting Services - Pupils	321,502	294,762	26,740	6,518	6,511	7
Supporting Services - Instructional Staff	320,263	288,956	31,307	112,863	97,468	15,395
Supporting Services - Board of Education	11,294	9,985	1,309	0	0	0
Supporting Services - Administration	667,629	613,576	54,053	55,920	48,824	7,096
Fiscal Services	212,470	204,905	7,565	5,638	4,724	914
Supporting Services - Business	10,000	9,247	753	0	0	0
Operation & Maintenance - Plant	947,834	754,305	193,529	36,917	17,237	19,680
Supporting Services - Pupil Transportation	637,278	573,872	63,406	17,290	17,290	0
Supporting Services - Central	22,660	16,772	5,888	19,953	14,044	5,909
Community Services	10,164	9,988	176	0	0	0
Academic & Subject Oriented	10,598	9,564	1,034	41,565	38,267	3,298
Occupation Oriented Activities	820	764	56	0	0	0
Sports Oriented	142,885	126,972	15,913	49,420	40,375	9,045
Co-Curricular Activities	3,997	3,869	128	0	0	0
Site Improvement	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	7,216,196	6,554,001	662,195	554,629	465,164	89,465
Excess of Revenue Over (Under) Expenditures	(407,000)	(78,347)	328,653	(39,135)	103,910	143,045
Other Financing Sources (Uses):						
Sale & Loss of Assets	1,237	1,237	0	0	0	0
Transfers-In	0	0	0	202	202	0
Refund of Prior Years Expenditures	18,543	18,543	0	0	0	0
Refund of Prior Years Receipts	0	0	0	(120)	(120)	0
Total Other Financing Sources (Uses):	19,780	19,780	0	82	82	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(387,220)	(58,567)	328,653	(39,053)	103,992	143,045
Beginning Fund Balance	1,029,773	1,029,773	0	104,823	104,823	0
Prior Year Carry Over Encumbrances	113,917	113,917	0	70	70	0
Ending Fund Balance	\$ 756,470	1,085,123	328,653	65,840	208,885	\$ 143,045

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

**Berne Union Local School District
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types - Continued
 Year Ended June 30, 2003**

	Debt Service Fund			Capital Projects Funds		
	Revised	Actual	Variance	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
Revenues:						
Taxes	\$ 380,000	327,957	(52,043)	-	-	\$ 0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	5,000	10,321	5,321	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	164	164	0	0	0	0
Local Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	39,836	43,654	3,818	0	0	0
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	425,000	382,096	(42,904)	0	0	0
Expenditures:						
Regular Instruction	0	0	0	0	0	0
Special Instruction	0	0	0	0	0	0
Vocational/Other Instruction	0	0	0	0	0	0
Supporting Services - Pupils	0	0	0	0	0	0
Supporting Services - Instructional Staff	0	0	0	0	0	0
Supporting Services - Board of Education	0	0	0	0	0	0
Supporting Services - Administration	0	0	0	0	0	0
Fiscal Services	12,280	6,850	5,430	0	0	0
Supporting Services - Business	0	0	0	0	0	0
Operation & Maintenance - Plant	0	0	0	0	0	0
Supporting Services - Pupil Transportation	0	0	0	0	0	0
Supporting Services - Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvement	0	0	0	490	490	0
Repayment of Debt	432,720	432,716	4	0	0	0
Total Expenditures	445,000	439,566	5,434	490	490	0
Excess of Revenue Over (Under) Expenditures	(20,000)	(57,470)	(37,470)	(490)	(490)	0
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Refund of Prior Years Receipts	0	0	0	0	0	0
Total Other Financing Sources (Uses):	0	0	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(20,000)	(57,470)	(37,470)	(490)	(490)	0
Beginning Fund Balance	699,892	699,892	0	0	0	0
Prior Year Carry Over Encumbrances	0	0	0	490	490	0
Ending Fund Balance	\$ 679,892	642,422	(37,470)	0	0	\$ 0

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

Berne Union Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2003

	Total (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 2,613,811	\$ 2,612,391	\$ (1,420)
Tuition	621,493	578,493	(43,000)
Transportation Fees	5,873	5,873	0
Earnings on Investment	39,670	33,991	(5,679)
Extracurricular Activities	68,795	71,752	2,957
Classroom Materials & Fees	213	213	0
Miscellaneous	79,686	72,455	(7,231)
Local Restricted Grants-in-Aid	22,000	22,000	0
State Unrestricted Grants-in-Aid	3,696,229	3,466,446	(229,783)
State Restricted Grants-in-Aid	309,001	270,291	(38,710)
Federal Restricted Grants-in-Aid	292,919	292,919	0
Total Revenue	<u>7,749,690</u>	<u>7,426,824</u>	<u>(322,866)</u>
Expenditures:			
Regular Instruction	3,129,138	2,988,548	140,590
Special Instruction	783,256	652,063	131,193
Vocational/Other Instruction	192,953	176,277	16,676
Supporting Services - Pupils	328,020	301,273	26,747
Supporting Services - Instructional Staff	433,126	386,424	46,702
Supporting Services - Board of Education	11,294	9,985	1,309
Supporting Services - Administration	723,549	662,400	61,149
Fiscal Services	230,388	216,479	13,909
Supporting Services - Business	10,000	9,247	753
Operation & Maintenance - Plant	984,751	771,542	213,209
Supporting Services - Pupil Transportation	654,568	591,162	63,406
Supporting Services - Central	42,613	30,816	11,797
Community Services	10,164	9,988	176
Academic & Subject Oriented	52,163	47,831	4,332
Occupation Oriented Activities	820	764	56
Sports Oriented	192,305	167,347	24,958
Co-Curricular Activities	3,997	3,869	128
Site Improvement	490	490	0
Repayment of Debt	432,720	432,716	4
Total Expenditures	<u>8,216,315</u>	<u>7,459,221</u>	<u>757,094</u>
Excess of Revenue Over (Under) Expenditures	(466,625)	(32,397)	434,228
Other Financing Sources (Uses):			
Sale & Loss of Assets	1,237	1,237	0
Transfers-In	202	202	0
Refund of Prior Years Expenditures	18,543	18,543	0
Refund of Prior Years Receipts	(120)	(120)	0
Total Other Financing Sources (Uses):	<u>19,862</u>	<u>19,862</u>	<u>0</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(446,763)	(12,535)	434,228
Beginning Fund Balance	1,834,488	1,834,488	0
Prior Year Carry Over Encumbrances	114,477	114,477	0
Ending Fund Balance	<u>\$ 1,502,202</u>	<u>\$ 1,936,430</u>	<u>\$ 434,228</u>

See Accompanying Notes to the General Purpose Financial Statements.

Berne Union Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 2003

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
Operating Revenues:			
Food Service	\$ 143,398	0	\$ 143,398
Classroom Materials & Fees	12,463	0	12,463
Miscellaneous	0	417,358	417,358
Total Operating Revenue	<u>155,861</u>	<u>417,358</u>	<u>573,219</u>
Operating Expenses:			
Purchased Services	195,411	974	196,385
Supplies and Materials	20,528	0	20,528
Depreciation	11,937	0	11,937
Other Expenses	0	531,335	531,335
Total Operating Expense	<u>227,876</u>	<u>532,309</u>	<u>760,185</u>
Operating Profit/Loss	(72,015)	(114,951)	(186,966)
Non-Operating Revenues:			
Earnings on Investment	659	0	659
Miscellaneous	656	0	656
State Restricted Grants-In-Aid	3,090	0	3,090
Federal Restricted Grants-In-Aid	70,065	0	70,065
Total Non-Operating Revenue	<u>74,470</u>	<u>0</u>	<u>74,470</u>
Net Income	2,455	(114,951)	(112,496)
Beginning Retained Earnings, as restated	<u>(56,735)</u>	<u>376,686</u>	<u>319,951</u>
Retained Earnings at End of Year	<u>\$ (54,280)</u>	<u>261,735</u>	<u>\$ 207,455</u>

See Accompanying Notes to the General Purpose Financial Statements.

**Berne Union Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 Year Ended June 30, 2003**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
Cash Flows from Operating Activities			
Operating Profit/Loss	\$ (72,015)	(114,951)	\$ (186,966)
Adjustment to Reconcile Operating Loss To Net Cash used in Operating Activities:			
Depreciation	11,937	0	11,937
Net (Increases) Decreases in Assets:			
Cash with Fiscal Agent	0	99,389	99,389
Accounts Receivable	(1,222)	0	(1,222)
Intergovernmental Receivables	(1,819)	0	(1,819)
Inventory	(2,428)	0	(2,428)
Net Increases (Decreases) in Liabilities:			
Claims Payable	0	10,193	10,193
Accounts Payable	(7,816)	3,359	(4,457)
Deferred Revenue	(403)	0	(403)
Net Adjustments	<u>(1,751)</u>	<u>112,941</u>	<u>111,190</u>
Net Cash Used in Operating Activities	(73,766)	(2,010)	(75,776)
Cash Flows from Noncapital Financing Activities:			
Earnings on Investment	659	0	659
Other	656	0	656
Grants from State Sources	3,090	0	3,090
Grants from Federal Sources	<u>70,065</u>	<u>0</u>	<u>70,065</u>
Net Cash Provided by Noncapital Financing Activities	<u>74,470</u>	<u>0</u>	<u>74,470</u>
Net Increase (Decrease) in Cash & Cash Equivalents	704	(2,010)	(1,306)
Cash and Cash Equivalents at Beginning of Year	<u>49,439</u>	<u>10,695</u>	<u>60,134</u>
Cash and Cash Equivalents at End of Year	<u>\$ 50,143</u>	<u>8,685</u>	<u>\$ 58,828</u>

See Accompanying Notes to the General Purpose Financial Statements.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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 a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2002, was 987. The District employed 5 administrative and supervisory personnel, 64 certified employees and 30 non-certificated employees. The District is supervised by the Fairfield County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary funds).

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

Account groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

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. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources with measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is following for the governmental and agency funds.

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

Non-exchange 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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used for the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, accounts and grants.

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003, that are intended to finance fiscal year 2004 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

The proprietary fund type utilizes the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as non-operating revenue.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A tax budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1. The Board of Education normally adopts the tax budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1 of each year for the period July 1 to June 30. If the Board has not received either the Amended Certificate of Estimated Resources or certification that no amended certificate needs to be issued as required by Section 5705.36 (B), the adoption of the annual appropriation measure is delayed until the certification or certificate is received. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June.

The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund.

- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP).

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

- 5) Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet. During the fiscal year, all investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

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

The District has invested funds in STAR Ohio during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Interest income earned in fiscal year 2003 totaled \$34,636. Following Ohio statutes, the Board of Education has, by resolution, specified the bond retirement fund, the building fund, the classroom facilities fund, and the food service fund to receive an allocation of interest earnings. Interest revenue credited to the governmental funds during fiscal year 2003 amounted to \$33,977.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization and textbook reserves. Effective July 1, 2001 and in accordance with S.B. 345, the District has resolved to retain \$100,000 in the budget stabilization reserve and \$26,156 in the textbook reserve. Fund balance reserves have also been established.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

G. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2003. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due, and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2003, and, accordingly, have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible. The fair value of taxes receivable is the same as carrying value.

H. Inventories

Inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies and are expended when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed. Examples of prepaid items are equipment maintenance agreements, vehicle insurance, liability insurance, and building and contents insurance.

J. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2003, the District had no amounts in "Due to /from Other Funds" and no "Interfund Receivables/Payables."

L. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicate they do not constitute expendable available financial resources and, therefore, are not available for appropriation. At June 30, 2003, the District had no long-term interfund loans.

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees, or class or group of employees, will become eligible to receive termination payments. All employees with fifteen or more years of service are included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2003, the District had contributed capital in the amount of \$132,786.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. The fair value of the District's long-term debt is estimated on the quoted market prices for the same or similar debt or on the current notes offered to the District for debt of the same remaining maturities based on current borrowing notes and remaining maturities. The fair value of long-term debt approximates the carrying amount.

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it, and are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonreoccurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, encumbrances, budget stabilization, textbooks and future appropriations. The reserve for future appropriations represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

R. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

S. Accounts Payable

The fair value and carrying value of trade accounts payable are approximately the same.

T. 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. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type at June 30, 2003:

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types

	General Fund	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$ (28,163)	98,989	(57,170)	\$ 0
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	18,182	3,847	(301)	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(49,790)	1,156	1	(490)
Due to Other Uses				
Net Adjustments to Other Uses	1,204	0	0	0
Budget Basis	<u>\$ (58,567)</u>	<u>103,992</u>	<u>(57,470)</u>	<u>\$ (490)</u>

Note 3. Accountability and Compliance

Pursuant to Section 117.11(A) of the Revised Code, Jones, Cochenour & Company, Independent Auditors, performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 4. Deficits

Fund balances at June 30, 2003, included the following individual Special Revenue Funds deficits:

Special Revenue Funds:

Ohio Reads Grant	\$ (85)
Summer Intervention Grant	\$ (46)
Mentor Grant	\$ (10)
Title VI-B Grant	\$ (1,383)
Title II-A Grant	\$ (884)
Title II-D Grant	\$ (3)

Retained Earnings at June 30, 2003, included the following individual deficit:

Enterprise Fund: Food Service	\$ (56,879)
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These deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The general fund is liable for any deficits in the special revenue and enterprise funds and provides operating transfers when cash is required, not when accruals occur.

Note 5. Cash and Cash Equivalents

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

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

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

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

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 5. Cash and Cash Equivalents (continued)

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

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

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

Cash on Hand: At year end, the District had \$100 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits: At year end, the carrying amount of the District's deposits was \$46,017 and the bank balances totaled \$156,889. \$150,000 of the bank balances were covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 5. Cash and Cash Equivalents (continued)

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount	Fair Value
Repurchase Agreement	\$ 14,895	\$ 14,895	\$ 14,895
STAR Ohio		2,097,172	2,097,172
Total Investments	<u>\$ 14,895</u>	<u>\$ 2,112,067</u>	<u>\$ 2,112,067</u>

The classification of cash and cash equivalents, and investments on the combined financial statements, is based on criteria set forth in GASB Statement No. 9 entitled, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 2,436,340	\$ 0
Investments:		
Repurchase Agreement	(14,895)	14,895
STAR Ohio	(2,097,172)	2,097,172
Total	<u>324,273</u>	<u>2,112,067</u>
Cash with Fiscal Agent	(278,156)	0
Cash on Hand	(100)	0
GASB Statement No. 3	<u>\$ 46,017</u>	<u>\$ 2,112,067</u>

Note 6. Property Tax

Property taxes are levied, assessed, and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Fairfield and Hocking County Auditors at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2001; an update is scheduled for 2004. The

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 6. Property Tax (continued)

next revaluation is scheduled for 2007. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Fairfield and Hocking County Auditors usually file for an extension in sending out tax bills so payment is due by February 14). If paid semi-annually, the first payment is usually due February 14, with the remainder payable 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 December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually. The first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility 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. Real property is assessed at 35% of market value, and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Fairfield and Hocking County Treasurers collect property tax on behalf of the District and the Fairfield and Hocking County Auditors remit the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35, since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2003, for operations was \$44.40 per \$1,000 of assessed valuation and \$4.40 per \$1,000 of assessed valuation for bonded debt. The assessed values of real and tangible personal property on which the fiscal year 2003 taxes were collected are as follows:

Real Property-Commercial/Industrial	\$ 7,658,730
Real Property-Residential/Agricultural	63,348,910
Real Property-Public Utilities	28,680
Real Property-Minerals	1,067,430
Personal Property-General and Exempt	3,700,351
Personal Property-Public Utilities	<u>19,793,390</u>
Total Assessed Value	<u>\$ 95,597,491</u>

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 7. Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
CAFS Reimbursement	\$ 797
Enterprise Fund:	
Food Service-Federal Subsidy	8,493
Total Intergovernmental Receivables	\$ 9,290

Note 8. Fixed Assets

The following is a summary of the proprietary fund property, plant and equipment at June 30, 2003:

Furniture and Equipment	\$ 146,494
Less Accumulated Depreciation	(108,975)
Net Fixed Assets	\$ 37,519

	General Fixed Assets June 30, 2002	Additions	Deletions	General Fixed Assets June 30, 2003
Land and Improvements	\$ 66,077	0	0	\$ 66,077
Buildings	10,284,540	0	0	10,284,540
Furniture and Equipment	3,099,085	54,631	10,984	3,142,732
Vehicles	647,640	186,070	76,090	757,620
Total General Fixed Assets	\$ 14,097,342	240,701	87,074	\$ 14,250,969

There was no significant construction in progress at June 30, 2003.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 9. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002 (the latest information available), 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$148,068, \$129,420 and \$103,573, respectively; 42.32 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$101,350 representing the unpaid contribution for fiscal year 2003, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$423,360, \$414,948 and \$375,730, respectively; 83 percent has been contributed for fiscal year 2003, and 100 percent for fiscal years 2002 and 2001. \$71,118 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 10. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. Effective July 1, 2002, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2003. For the District, this amount equaled \$30,240 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002 (the latest information available), employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$117,957.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 11. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The Superintendent and Treasurer are granted twenty days of vacation per year.

Classified employees earn two weeks (ten days) to four weeks (twenty days) of vacation per year, depending upon length of service. Employees shall be entitled to accumulate any and all unused vacation for a total equivalent to the maximum earned in a two year period. Vacation days will be earned and accrued on a

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 11. Compensated Absences (continued)

monthly basis and may be taken when earned. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
1-9	10
10-19	15
20-beyond	20

Each regular employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certificated and classified employees is 235 days.

For qualified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty-five days. All percentages will be calculated on a maximum of 220 days. Classified employees, Treasurer, and Administrators are paid in one lump sum at the time of retirement. Certified employees are paid one-half their severance pay at the time of retirement and the final payment is made twelve months later as per the negotiated agreement.

Note 12. Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. In addition, the District maintains a \$1,000,000 umbrella liability policy.

The District also maintains violence insurance in the amount of \$1,000,000 for each occurrence and \$1,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$25,972,300. Other property insurance includes musical instruments, equipment, and accessories; media related equipment and accessories; and data processing equipment and accessories.

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

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 12. Risk Management (continued)

B. Workers Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State, based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

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

The District joined four other school districts January 1, 1996, to form a regional council of governments in accordance with Ohio Revised Code Chapter 167 and entered into an Agreement Establishing the South Central Ohio Insurance Consortium for the purpose of carrying out a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code, in an effort to minimize risk exposure and control claims and premium costs. EV Benefits is the third party administrator for the consortium, with Safeco Life Insurance Company as the excess loss carrier. The individual excess loss coverage is \$40,000 individual deductible per person with a \$2,000,000 maximum lifetime reimbursement per person.

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

Premiums are paid to the South Central Ohio Insurance Consortium Fund and the Self Insurance Fund of the District from the Internal Service Fund. The cash balance with the fiscal agent at June 30, 2003, was \$278,156. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium. Liabilities at June 30, 2003, are reported at their present value of \$21,652.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 12. Risk Management (continued)

A summary of changes in claims for the year ended June 30, 2003 follows:

	June 30, 2003	June 30, 2002
Claim Liabilities at beginning of year	\$ 11,459	\$ 8,237
Incurred Claims	277,376	232,330
Claims Paid	<u>(267,183)</u>	<u>(229,108)</u>
Claim Liabilities at end of year	<u>\$ 21,652</u>	<u>\$ 11,459</u>

The following is a summary of insurance premiums paid for health benefits:

	June 30, 2003
Board Contributions	\$ 336,784
Employee Contributions	<u>67,895</u>
Total Contributions	<u>\$ 404,679</u>

\$339,467 was paid to the South Central Ohio Insurance Consortium fiscal agent and \$940 was receipted into the District's partial insurance fund for medical insurance.

The District was self funded for dental insurance during fiscal year 2003, with EV Benefits, a third party administrator, processing claims. EV Benefits was paid an administrative fee of \$2.50 per covered employee per month.

The District was fully funded by Vision Service Plan for optical insurance during fiscal year 2003.

Note 13. Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2003, are as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Intergovernmental Payable	\$ 68,234	76,780	68,234	\$ 76,780
General Obligation Bonds Payable	4,035,000	0	225,000	3,810,000
Capital Leases Payable	0	121,478	0	121,478
Compensated Absences Payable	353,404	357,660	353,404	357,660
State Construction Loan Payable*	5,851,150	0	5,851,150	0
	<u>\$ 10,307,788</u>	<u>555,918</u>	<u>6,497,788</u>	<u>\$ 4,365,918</u>

*As stated in Note 13, this debt has effectively been forgiven.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 13. Long-Term Debt (continued)

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

Pursuant to changes that became effective on September 14, 2000, Section 3318.05 of the Ohio Revised Code was amended eliminating the requirement that certain school districts receiving state classroom facilities assistance repay one-half of the required twenty-three year one-half mill levy. From that date forward any school district that had previously been required to make repayment has been directed to cease making the payments to the Ohio School Facilities Commission and to instead deposit one hundred percent of the proceeds in the Classroom Facilities Maintenance Fund (Fund 034) designated by the Auditor of State.

General Obligations Bonds Payable: The \$3,810,000 of outstanding general obligation bonds relate to a project for which bonds were issued in 1993 for the purpose of constructing and reconstructing the District's K-12 building and for improving the site. The bonds mature December 2014, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof. The annual maturities of the general obligation bonds as of June 30, 2003, and related interest payments are as follows:

	Principal	Interest	Payment
FY2004	\$ 240,000	195,150	\$ 435,150
FY2005	255,000	183,143	438,143
FY2006	275,000	170,020	445,020
FY2007	290,000	155,750	445,750
FY2008 and thereafter	2,750,000	584,407	3,334,407
	<u>\$ 3,810,000</u>	<u>1,288,470</u>	<u>\$ 5,098,470</u>

Capital Leases Payable: The \$121,478 of outstanding capital leases payable relate to the lease/purchase of four school buses during fiscal year 2003. The lease, dated December 12, 2002, in the amount of \$186,070 will be paid over three fiscal years. The final payment will be made in December, 2004. The annual payments and related interest are as follows:

	Principal	Interest	Payment
FY2004	\$ 59,490	5,102	\$ 64,592
FY2005	61,988	2,603	64,591
	<u>\$ 121,478</u>	<u>7,705</u>	<u>\$ 129,183</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .01% of the total assessed value of property. The District's unvoted debt margin is \$95,597 and the District has no unvoted debt. The voted debt margin at June 30, 2003, is \$8,603,774.

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 14. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 2003, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$ 143,398	12,463	\$ 155,861
Operating Expenses:			
Depreciation	(11,937)	0	(11,937)
Other Expenses	(205,106)	(10,833)	(215,939)
Total Operating Expenses	(217,043)	(10,833)	(227,876)
Operating Loss	(73,645)	1,630	(72,015)
Non Operating Revenues and			
State and Federal Grants	70,066	0	70,066
Federal Commodities	3,090	0	3,090
Other Net	1,314	0	1,314
Net Income/Loss	\$ 825	1,630	\$ 2,455
Contributed Capital	\$ 132,786	0	\$ 132,786
Net Working Capital	\$ 38,390	2,599	\$ 40,989
Total Assets	\$ 100,051	2,806	\$ 102,857
Retained Earnings	\$ (56,879)	2,599	\$ (54,280)

Note 15. Jointly Governed Organizations

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

Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003

Note 15. Jointly Governed Organizations (continued)

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

Note 16. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2003.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2003.

Note 17. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

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

Note 18. Operating Leases

The District leases copiers under operating leases expiring in various years. Minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year as of June 30, 2003, for each of the next four years and in the aggregate are:

	Amount
FY2004	\$ 24,839
FY2005	24,839
FY2006	24,841
FY2007	12,221
	\$ 86,740
	\$ 86,740

**Berne Union Local School District
Notes to the General Purpose Financial Statements
June 30, 2003**

Note 19. Statutory Reserves

The District is required by State statute to set aside, annually, in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Although no longer required by State statute, a budget stabilization reserve may still be set aside at the discretion of the District.

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

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2003	\$ 0	\$ 0	\$ 100,000	\$ 100,000
Current Year Set-Aside Requirement	139,510	139,510	0	279,020
Current Year Offsets	(113,354)	(172,000)	0	(285,354)
Qualifying Disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 26,156</u>	<u>(32,490)</u>	<u>100,000</u>	<u>\$ 93,666</u>
Cash Balance Carried Forward to FY 2004	<u>\$ 26,156</u>	<u>\$ -</u>	<u>\$ 100,000</u>	
Amount Restricted for Budget Stabilization				<u>\$ 100,000</u>
Total Restricted Assets				<u>\$ 126,156</u>

The District had qualifying disbursements during the year that reduced the set aside amounts for capital acquisitions to below zero. The textbook acquisitions and the budget stabilization have balances to carry forward.

Note 20. Prior Period Adjustments and Restatement of Internal Fund Balance/Net Assets

During the fiscal year ending June 30, 2003 audit, it was discovered that the prior year Lag Report issued by the District's insurance company for claims incurred, but not yet paid, was overstated by \$220,585. The insurance company revised the original report submitted to the District for the June 30, 2002 year end. This error caused an overstatement of claims payable, which resulted in a restatement of the fund balance as of June 30, 2002. The effect of the restatement is an increase to the fund balance.

**BERNE UNION LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
For the Year Ended June 30, 2003**

<u>Federal Grantor/ Pass-Through Grantor/ Program Grant Title</u>	<u>Pass-Through Entity Number</u>	<u>CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<i>U.S. Department of Agriculture/ Ohio Department of Education</i>				
National School Breakfast Program	05PU 02 & 03	10.553	\$ 3,090	\$ 3,090
National School Lunch Program	LLP4 02 & 03	10.555	<u>61,668</u>	<u>61,668</u>
TOTAL NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE			64,758	64,758
<i>U.S. Department of Education/ Ohio Department of Education</i>				
Title I				
Grants to Local Educational Agencies	C1S1 02 & 03	84.010	118,667	101,635
Title VI-B				
Special Education Grants to State	6BSF 02-P & 03-P	84.027	102,381	94,370
English Language Acquisition Grants		84.365	44,253	39,544
Innovative Education Program Strategies	C2S1 02 & 03	84.298	5,710	4,938
Title II	TJS1 03	84.310	<u>3,263</u>	<u>3,263</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>274,274</u>	<u>243,750</u>
TOTAL FEDERAL AWARD RECEIPTS AND EXPENDITURES			<u>\$ 339,032</u>	<u>\$ 308,508</u>

See independent auditors' report

**BERNE UNION LOCAL SCHOOL DISTRICT
YEAR ENDED JUNE 30, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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



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

Board of Education
Berne Union Local School District
Sugar Grove, Ohio

We have audited the basic financial statements of Berne Union Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether Berne Union Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2003-0206-001. We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated October 31, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Berne Union Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements 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 financial reporting that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting and its operation that we have reported to management of the District in a separate letter dated October 31, 2003.

This report is intended solely for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.
October 31, 2003



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

**Board of Education
Berne Union Local School District
Sugar Grove, Ohio**

Compliance

We have audited the compliance of Berne Union Local School District, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Berne Union Local School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Berne Union Local School District's management. Our responsibility is to express an opinion on Berne Union Local School District's compliance based on our audit.

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

In our opinion, Berne Union Local School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Berne Union Local School District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Berne Union Local School District's internal control over compliance with 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 internal control over compliance in accordance with OMB Circular A-133.

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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal 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 the board of education, management, Auditor of State 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.

**Jones, Cochenour & Co.
October 31, 2003**

**BERNE UNION LOCAL SCHOOL DISTRICT
SUMMARY OF AUDITORS' REPORT AND SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITORS' 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 reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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 §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I CFDA Number 84.010 Special Education Grants to States CFDA Number 84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding Number	2003-0206-001
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Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The District's Enterprise fund had disbursements that exceeded the appropriation as follows:

<u>Fund</u>	<u>Actual Disbursements</u>	<u>Appropriations</u>	<u>Variance</u>
Enterprise Fund	\$ 249,655	\$ 229,852	\$ (19,803)

We recommend that the District monitor its expenditures to its appropriations.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings for the year ended June 30, 2003.

CONCLUSION STATEMENT

The draft audit report was furnished to the District. The District waived a formal post audit conference in a verbal communication on December 30, 2003.

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Betty Montgomery**

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BERNE UNION LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2004**