



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011  
Fiscal Year Audited Under GAGAS: 2011





# Dave Yost • Auditor of State

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

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 30, 2012

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**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**TABLE OF CONTENTS**

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balance To Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	18
Statement of Fiduciary Net Assets - Fiduciary Funds.....	19
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	20
Notes to the Basic Financial Statements .....	21
Schedule of Receipts and Expenditures of Federal Awards .....	48
Notes to the Schedule of Receipts and Expenditures of Federal Awards .....	49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i> .....	50
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	52
Schedule of Findings OMB Circular A-133 Section §.505 .....	54
Independent Auditor’s Report on Applying Agreed Upon Procedures .....	56

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## Independent Auditor's Report

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

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

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


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brookville Local School District, Montgomery County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

As described in Note 17 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

  
Balestra, Harr & Scherer, CPAs, Inc.  
November 21, 2011



**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

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The discussion and analysis of Brookville Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities decreased \$437,495 which represents a 1.7% decrease from 2010.
- General revenues accounted for \$12,863,707 in revenue or 81.2% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,981,087 or 18.8% of total revenues of \$15,844,794.
- The District had \$16,282,289 in expenses related to governmental activities; \$2,981,087 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,863,707 were also used to provide for these programs.

**Overview of the Financial Statements**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General, Debt Service and Classroom Facilities Funds are the major funds of the District.

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

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**Government-wide Financial Statements**

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

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

In the Government-wide Financial Statements, the District presents:

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

**Fund Financial Statements**

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

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

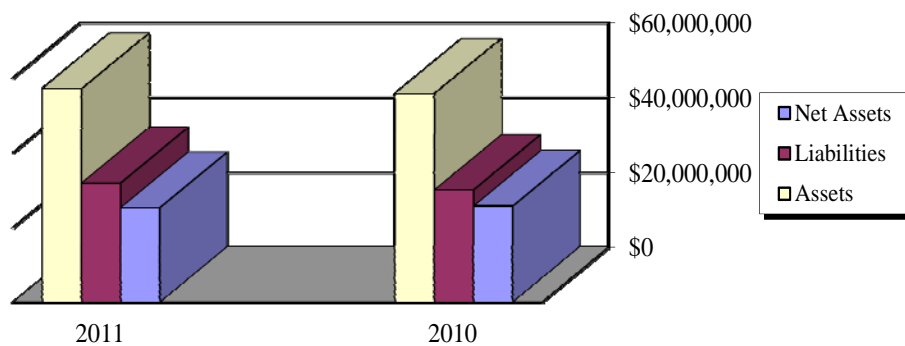
**Brookville Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)**

**The District as a Whole**

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

**Table 1  
Net Assets**

	Governmental Activities	
	2011	2010
<b>Assets:</b>		
Current and Other Assets	\$22,287,178	\$29,528,389
Capital Assets	34,836,159	26,199,609
<b>Total Assets</b>	<b>57,123,337</b>	<b>55,727,998</b>
<b>Liabilities:</b>		
Other Liabilities	9,960,296	7,650,248
Long-Term Liabilities	21,894,382	22,371,596
<b>Total Liabilities</b>	<b>31,854,678</b>	<b>30,021,844</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	14,404,243	5,168,552
Restricted	9,106,053	18,533,592
Unrestricted	1,758,363	2,004,010
<b>Total Net Assets</b>	<b>\$25,268,659</b>	<b>\$25,706,154</b>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$25,268,659.

At year-end, capital assets represented 61% of total assets. Capital assets include land, construction in progress, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2011, was \$14,404,243. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
(Unaudited)

A portion of the District's net assets, \$9,106,053 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets increased from 2010 to 2011 because of the ongoing construction of buildings at the district. Long, term liabilities decreased from 2010 to 2011 due to the district making regularly scheduled debt payments.

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

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

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services	\$1,114,255	\$1,083,842
Operating Grants, Contributions	1,856,832	1,836,240
Capital Grants and Contributions	10,000	10,000
General Revenues:		
Property Taxes	6,682,543	6,476,075
Grants and Entitlements	5,661,704	6,136,083
Other	519,460	469,638
Total Revenues	<u>15,844,794</u>	<u>16,011,878</u>
Program Expenses:		
Instruction	7,951,550	7,709,700
Support Services:		
Pupil and Instructional Staff	1,987,885	1,954,637
School Administrative, General		
Administration, Fiscal and Business	1,758,040	1,734,936
Operations and Maintenance	1,496,060	1,217,112
Pupil Transportation	730,484	649,911
Central	23,252	30,128
Operation of Non-Instructional Services	754,068	766,584
Extracurricular Activities	623,822	619,828
Interest and Fiscal Charges	957,128	957,603
Total Program Expenses	<u>16,282,289</u>	<u>15,640,439</u>
Change in Net Assets	(437,495)	371,439
Beginning Net Assets	<u>25,706,154</u>	<u>25,334,715</u>
Ending Net Assets	<u><u>\$25,268,659</u></u>	<u><u>\$25,706,154</u></u>

**Brookville Local School District, Ohio  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2011  
 (Unaudited)**

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**Governmental Activities**

The District revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes, and grants and entitlements comprised 78% of the District's revenues for governmental activities.

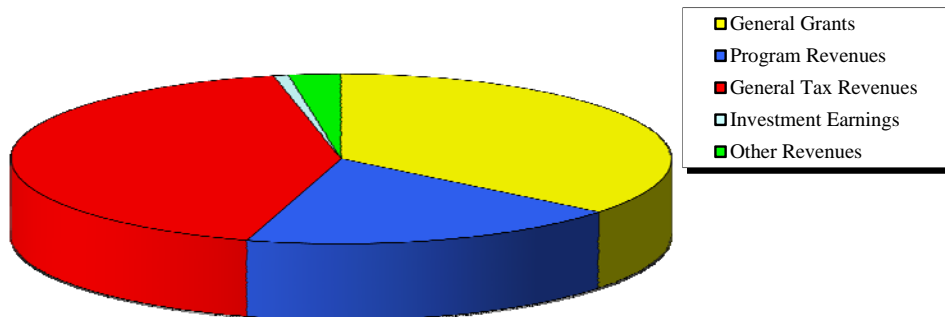
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner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

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 42% of revenue for governmental activities for the District in fiscal year 2011.

**Governmental Activities  
 Revenue Sources**

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Revenue Sources	2011	Percentage
General Grants	\$5,661,704	35.8%
Program Revenues	2,981,087	18.8%
General Tax Revenues	6,682,543	42.2%
Investment Earnings	116,285	0.7%
Other Revenues	403,175	2.5%
<b>Total Revenue Sources</b>	<b>\$15,844,794</b>	<b>100.0%</b>



Instruction comprises 49% of governmental program expenses. Support services expenses were 37% of governmental program expenses. All other expenses including interest expense were 14% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total revenues decreased mostly due to a decrease in grants and entitlements for capital construction. Total expenses increased due to general inflationary conditions throughout the District.

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
(Unaudited)

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

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$7,951,550	\$7,709,700	(\$6,881,195)	(\$6,691,923)
Support Services:				
Pupil and Instructional Staff	1,987,885	1,954,637	(1,549,361)	(1,468,885)
School Administrative, General				
Administration, Fiscal and Business	1,758,040	1,734,936	(1,750,085)	(1,693,314)
Operations and Maintenance	1,496,060	1,217,112	(1,111,877)	(921,673)
Pupil Transportation	730,484	649,911	(650,433)	(558,584)
Central	23,252	30,128	(3,857)	(7,744)
Operation of Non-Instructional Services	754,068	766,584	(85,190)	(38,036)
Extracurricular Activities	623,822	619,828	(312,076)	(372,595)
Interest and Fiscal Charges	957,128	957,603	(957,128)	(957,603)
Total Expenses	<u>\$16,282,289</u>	<u>\$15,640,439</u>	<u>(\$13,301,202)</u>	<u>(\$12,710,357)</u>

**The District's Funds**

The District has three major governmental funds: the General Fund, the Debt Service Fund, and Classroom Facilities Fund. Assets of the general fund comprised \$9,820,117 (44%), the debt service fund comprised \$7,283,870 (33%), and the classroom facilities fund comprised \$3,683,933 (17%) of the total \$22,185,229 governmental funds assets.

**General Fund:** Fund balance at June 30, 2011 was \$3,553,959, a decrease in fund balance of \$138,631 from 2010. The decrease in fund balance is mainly due to an increase in instructional expenditures from fiscal year 2010 to 2011.

**Debt Service Fund:** Fund balance at June 30, 2011 was \$6,080,598, an increase in fund balance of \$196,938 from 2010. The increase in fund balance is mainly due to an increase in taxes revenue from fiscal year 2010 to 2011.

**Classroom Facilities Fund:** Fund balance at June 30, 2011 was \$993,677, a decrease in fund balance of \$4,265,710 from 2010. The decrease in fund balance is mainly due to a decrease in intergovernmental revenue for the OSFC project from fiscal year 2010 to 2011.

**General Fund Budgeting Highlights**

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

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
(Unaudited)

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During the course of fiscal year 2011, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was \$11,714,371, compared to final budget estimates of \$11,815,951. The difference between the original budget basis and final budget was \$101,580, which was mostly due to underestimates in taxes and intergovernmental revenues.

The District's ending unobligated cash balance was \$4,381,577.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2011, the District had \$34,836,159 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

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	Governmental Activities	
	2011	2010
Land	\$935,308	\$935,308
Construction in Progress	10,166,181	690,342
Buildings and Improvements	22,313,891	23,051,233
Equipment	1,420,779	1,522,726
Total Net Capital Assets	<u>\$34,836,159</u>	<u>\$26,199,609</u>

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

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

*Debt*

At June 30, 2011, the District had \$21,012,247 in debt outstanding, \$660,000 due within one year. Table 5 summarizes debt outstanding.

**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
(Unaudited)

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

	Governmental Activities	
	2011	2010
General Obligation Bonds:		
2003 Building Construction	\$2,339,976	\$2,779,976
2006 School Improvement Refunding Bonds:		
Current Interest	17,225,000	17,375,000
Capital Appreciation Bonds - Principal	674,986	674,986
Capital Appreciation Bonds - Interest	580,331	416,864
Premium on Refunding Bonds	792,424	830,159
Deferred Amount on Refunding Bonds	(600,470)	(629,064)
<b>Total Bonds</b>	<b>\$21,012,247</b>	<b>\$21,447,921</b>

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

**For the Future**

A challenge facing the District is the future of state funds. On December 11, 2002, the Ohio Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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

In July, 2009, the Ohio's Governor signed HB 1, the state biennium budget bill. Included in this bill was a complete overhaul of the school funding model for all school districts in Ohio. The new Ohio Evidence-Based Model (OEBM) replaces the long-standing foundation formula that was declared unconstitutional by the Ohio Supreme Court. If ever fully-funded, the new model has the potential to drive funding based on student needs and could result in additional revenue. However, the current economic crisis has reduced revenue at the state level prompting budget reduction measures across the State. As such, the funding for the OEBM started in FY10 by allocating the funding for each year based on 99% of the FY09 funding and 98% of the FY10 funding, respectively. Federal stimulus funds are being used in Ohio to balance the education budget and as such, funding for public education at the current level is not secure beyond FY11. This uncertainty could have a major impact on our instructional and operational programs. The need for additional revenue and or expenditure reductions will need to be monitored closely.



**Brookville Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**(Unaudited)**

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Huffman, Treasurer at Brookville Local School District, 325 Simmons Avenue, Brookville, Ohio 45309. Or email at [by\\_treas@mdeca.org](mailto:by_treas@mdeca.org).

Brookville Local School District, Ohio  
Statement of Net Assets  
June 30, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$10,428,531
Restricted Cash and Investments	804,336
Cash and Cash Equivalents with Fiscal Agent	3,993,250
Receivables:	
Taxes	6,371,204
Accounts	25,247
Interest	26,767
Intergovernmental	475,067
Deferred Bond Issuance Costs	101,949
Inventory	60,827
Nondepreciable Capital Assets	11,101,489
Depreciable Capital Assets, Net	<u>23,734,670</u>
Total Assets	<u>57,123,337</u>
Liabilities:	
Accounts Payable	224,128
Accrued Wages and Benefits	1,497,100
Contracts Payable	2,401,525
Retainage Payable	173,866
Accrued Interest Payable	65,676
Unearned Revenue	5,598,001
Long-Term Liabilities:	
Due Within One Year	701,962
Due In More Than One Year	<u>21,192,420</u>
Total Liabilities	<u>31,854,678</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	14,404,243
Restricted for:	
Local Grants	2,343
Debt Service	6,177,573
Capital Projects	1,895,842
Food Service	25,778
Set-Aside	630,470
Classroom Facilities Maintenance	158,209
District Managed Student Activities	81,962
State Grants	511
Federal Grants	133,365
Unrestricted	<u>1,758,363</u>
Total Net Assets	<u><u>\$25,268,659</u></u>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$6,357,937	\$267,160	\$89,086	\$10,000	(\$5,991,691)
Special	1,311,487	34,849	648,459	0	(628,179)
Vocational	171,445	0	20,801	0	(150,644)
Other	110,681	0	0	0	(110,681)
<b>Support Services:</b>					
Pupil	907,769	0	124,338	0	(783,431)
Instructional Staff	1,080,116	0	314,186	0	(765,930)
General Administration	21,133	0	0	0	(21,133)
School Administration	1,397,778	0	7,955	0	(1,389,823)
Fiscal	338,253	0	0	0	(338,253)
Business	876	0	0	0	(876)
Operations and Maintenance	1,496,060	9,266	374,917	0	(1,111,877)
Pupil Transportation	730,484	65,284	14,767	0	(650,433)
Central	23,252	0	19,395	0	(3,857)
Operation of Non-Instructional Services	754,068	437,971	230,907	0	(85,190)
Extracurricular Activities	623,822	299,725	12,021	0	(312,076)
Interest and Fiscal Charges	957,128	0	0	0	(957,128)
<b>Total Governmental Activities</b>	<b>\$16,282,289</b>	<b>\$1,114,255</b>	<b>\$1,856,832</b>	<b>\$10,000</b>	<b>(13,301,202)</b>

**General Revenues:**

**Property Taxes Levied for:**

General Purposes	5,283,881
Debt Service Purposes	1,361,098
Capital Projects Purposes	37,564
Grants and Entitlements not Restricted	5,661,704
Unrestricted Contributions	17,864
Investment Earnings	116,285
Payment in Lieu of Taxes	158,754
Other Revenues	226,557

**Total General Revenues** 12,863,707

**Change in Net Assets** (437,495)

**Net Assets Beginning of Year** 25,706,154

**Net Assets End of Year** \$25,268,659

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$4,076,467	\$1,987,826	\$3,207,465	\$1,156,773	\$10,428,531
Restricted Cash and Investments	630,470	0	173,866	0	804,336
Cash and Cash Equivalents with Fiscal Agent	0	3,993,250	0	0	3,993,250
<b>Receivables:</b>					
Taxes	5,034,172	1,302,794	0	34,238	6,371,204
Accounts	25,129	0	0	118	25,247
Interest	0	0	0	26,767	26,767
Intergovernmental	0	0	302,602	172,465	475,067
Inventory	53,879	0	0	6,948	60,827
<b>Total Assets</b>	<b>9,820,117</b>	<b>7,283,870</b>	<b>3,683,933</b>	<b>1,397,309</b>	<b>22,185,229</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts Payable	182,815	0	0	41,313	224,128
Accrued Wages and Benefits	1,388,851	0	0	108,249	1,497,100
Compensated Absences	24,185	0	0	0	24,185
Contracts Payable	0	0	2,213,798	187,727	2,401,525
Retainage Payable	0	0	173,866	0	173,866
Deferred Revenue	4,670,307	1,203,272	302,602	185,224	6,361,405
<b>Total Liabilities</b>	<b>6,266,158</b>	<b>1,203,272</b>	<b>2,690,266</b>	<b>522,513</b>	<b>10,682,209</b>
<b>Fund Balances:</b>					
Nonspendable	53,879	0	0	6,948	60,827
Restricted	630,470	6,080,598	993,667	879,834	8,584,569
Assigned	126,070	0	0	0	126,070
Unassigned	2,743,540	0	0	(11,986)	2,731,554
<b>Total Fund Balances</b>	<b>3,553,959</b>	<b>6,080,598</b>	<b>993,667</b>	<b>874,796</b>	<b>11,503,020</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,820,117</b>	<b>\$7,283,870</b>	<b>\$3,683,933</b>	<b>\$1,397,309</b>	<b>\$22,185,229</b>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2011

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Total Governmental Fund Balance		\$11,503,020
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,836,159
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	306,208	
Interest	11,709	
Intergovernmental	142,885	
Other	<u>302,602</u>	
		763,404
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(65,676)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(857,950)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		101,949
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(21,012,247)</u>
Net Assets of Governmental Activities		<u><u>\$25,268,659</u></u>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$5,252,002	\$1,352,918	\$0	\$36,760	\$6,641,680
Revenue in lieu of taxes	158,754	0	0	0	158,754
Tuition and Fees	290,047	0	0	0	290,047
Investment Earnings	0	0	4,342	109,933	114,275
Intergovernmental	6,204,540	252,801	4,475,971	1,309,041	12,242,353
Extracurricular Activities	145,725	0	0	171,770	317,495
Charges for Services	59,476	0	0	437,971	497,447
Other Revenues	69,743	0	1,000	39,382	110,125
<b>Total Revenues</b>	<b>12,180,287</b>	<b>1,605,719</b>	<b>4,481,313</b>	<b>2,104,857</b>	<b>20,372,176</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	5,542,826	0	0	69,376	5,612,202
Special	1,053,781	0	0	265,388	1,319,169
Vocational	171,082	0	0	0	171,082
Other	107,016	0	0	0	107,016
<b>Support Services:</b>					
Pupil	852,147	0	0	91,318	943,465
Instructional Staff	819,926	0	0	210,243	1,030,169
General Administration	21,133	0	0	0	21,133
School Administration	1,377,063	0	0	16,650	1,393,713
Fiscal	314,182	18,867	0	556	333,605
Business	876	0	0	0	876
Operations and Maintenance	863,650	0	0	613,784	1,477,434
Pupil Transportation	695,568	0	0	0	695,568
Central	12,319	0	0	13,809	26,128
Operation of Non-Instructional Services	63,922	0	0	658,178	722,100
Extracurricular Activities	381,369	0	0	206,623	587,992
Capital Outlay	8,296	0	8,759,350	723,239	9,490,885
<b>Debt Service:</b>					
Principal Retirement	0	590,000	0	0	590,000
Interest and Fiscal Charges	0	799,914	0	0	799,914
<b>Total Expenditures</b>	<b>12,285,156</b>	<b>1,408,781</b>	<b>8,759,350</b>	<b>2,869,164</b>	<b>25,322,451</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(104,869)</b>	<b>196,938</b>	<b>(4,278,037)</b>	<b>(764,307)</b>	<b>(4,950,275)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Assets	15,409	0	0	154,987	170,396
Transfers In	0	0	12,327	105,319	117,646
Transfers (Out)	(49,171)	0	0	(68,475)	(117,646)
<b>Total Other Financing Sources (Uses)</b>	<b>(33,762)</b>	<b>0</b>	<b>12,327</b>	<b>191,831</b>	<b>170,396</b>
<b>Net Change in Fund Balance</b>	<b>(138,631)</b>	<b>196,938</b>	<b>(4,265,710)</b>	<b>(572,476)</b>	<b>(4,779,879)</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>3,692,590</b>	<b>5,883,660</b>	<b>5,259,377</b>	<b>1,447,272</b>	<b>16,282,899</b>
<b>Fund Balance End of Year</b>	<b>\$3,553,959</b>	<b>\$6,080,598</b>	<b>\$993,667</b>	<b>\$874,796</b>	<b>\$11,503,020</b>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2011

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Net Change in Fund Balance - Total Governmental Funds (\$4,779,879)

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

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

Capital assets used in governmental activities	9,637,124	
Depreciation Expense	(995,761)	
		8,641,363

Governmental funds only report the disposal of assets to the  
 extent proceeds are received from the sale. In the statement  
 of activities, a gain or loss is reported for each disposal. The  
 amount of the proceeds must be removed and the gain or loss  
 on the disposal of capital assets must be recognized. This is the  
 amount of the difference between the proceeds and the gain or loss. (4,813)

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

Delinquent Property Taxes	40,863	
Interest	2,010	
Intergovernmental	(4,735,838)	
		(4,692,965)

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 590,000

In the statement of activities interest expense is accrued when incurred,  
 whereas in governmental funds an interest expenditure is reported  
 when due. 1,967

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

Compensated Absences	(33,987)	
Amortization of Bond Issuance Cost	(4,855)	
Amortization of Bond Premium	37,735	
Amortization of Deferred Charge on Refunding	(28,594)	
Bond Accretion	(163,467)	
		(193,168)

Change in Net Assets of Governmental Activities (\$437,495)

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$5,041,405	\$5,085,121	\$5,104,185	\$19,064
Revenue in lieu of taxes	156,801	158,161	158,754	593
Tuition and Fees	243,732	245,845	246,767	922
Intergovernmental	6,130,905	6,184,069	6,207,252	23,183
Extracurricular Activities	76,923	77,590	77,881	291
Charges for Services	9,152	9,231	9,266	35
Other Revenues	55,453	55,934	56,144	210
<b>Total Revenues</b>	<b>11,714,371</b>	<b>11,815,951</b>	<b>11,860,249</b>	<b>44,298</b>
Expenditures:				
Current:				
Instruction:				
Regular	5,679,665	5,489,346	5,509,631	(20,285)
Special	1,062,980	1,027,361	1,031,157	(3,796)
Vocational	176,186	170,282	170,911	(629)
Other	111,945	108,194	108,594	(400)
Support Services:				
Pupil	835,213	807,226	810,209	(2,983)
Instructional Staff	831,597	803,731	806,701	(2,970)
General Administration	23,744	22,948	23,033	(85)
School Administration	1,352,576	1,307,252	1,312,083	(4,831)
Fiscal	328,607	317,595	318,769	(1,174)
Business	903	873	876	(3)
Operations and Maintenance	969,315	936,834	940,296	(3,462)
Pupil Transportation	716,716	692,699	695,259	(2,560)
Central	18,317	17,704	17,769	(65)
Extracurricular Activities	382,948	370,116	371,484	(1,368)
Capital Outlay	8,552	8,265	8,296	(31)
<b>Total Expenditures</b>	<b>12,499,264</b>	<b>12,080,426</b>	<b>12,125,068</b>	<b>(44,642)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(784,893)</b>	<b>(264,475)</b>	<b>(264,819)</b>	<b>(344)</b>
Other financing sources (uses):				
Proceeds from Sale of Assets	1,629	1,643	1,649	6
Transfers (Out)	(91,923)	(88,843)	(89,171)	(328)
<b>Total Other Financing Sources (Uses)</b>	<b>(90,294)</b>	<b>(87,200)</b>	<b>(87,522)</b>	<b>(322)</b>
<b>Net Change in Fund Balance</b>	<b>(875,187)</b>	<b>(351,675)</b>	<b>(352,341)</b>	<b>(666)</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,733,918	4,733,918	4,733,918	0
<b>Fund Balance End of Year</b>	<b>\$3,858,731</b>	<b>\$4,382,243</b>	<b>\$4,381,577</b>	<b>(\$666)</b>

See accompanying notes to the basic financial statements.



Brookville Local School District, Ohio  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

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	<u>Private Purpose Trust Fund</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	\$35,973	\$45,031
Receivables:		
Accounts	<u>0</u>	<u>210</u>
Total Assets	<u>35,973</u>	<u>45,241</u>
Liabilities:		
Accounts Payable	100	1,468
Other Liabilities	<u>0</u>	<u>43,773</u>
Total Liabilities	<u>100</u>	<u>\$45,241</u>
Net Assets:		
Held in Trust	<u>35,873</u>	
Total Net Assets	<u>\$35,873</u>	

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2011

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	Private Purpose Trust Fund
Additions:	
Donations	\$1,002
Investment Earnings	191
Other	4,835
Total Additions	<u>6,028</u>
Deductions:	
Other	<u>5,790</u>
Total Deductions	<u>5,790</u>
Change in Net Assets	238
Net Assets Beginning of Year	<u>35,635</u>
Net Assets End of Year	<u><u>\$35,873</u></u>

See accompanying notes to the basic financial statements.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 1 - Summary of Significant Accounting Policies**

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**A. Reporting Entity**

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 76 noncertified and approximately 101 certified teaching personnel and administrative employees providing education to 1,555 students.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing board and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Metropolitan Dayton Educational Cooperative Association, a jointly governed organization which provides computer service to thirty-four (34) school districts. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

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

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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

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

The following fund types are used by the District:

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

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

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

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

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own program. The District's two trust funds are private-purpose trust that account for scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation. This fund accounts for student-managed activities.

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

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

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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

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

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

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

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

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

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

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Current property taxes measurable at June 30, 2011, and which are not intended to finance fiscal year 2011 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

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

***Revenues - Exchange and Non-exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

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

**E. Budgetary Process**

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

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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1. Tax Budget

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as final budget on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2011.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications. The amounts reported on the budgetary statements as final budget reflect the final appropriations passed during fiscal year 2011.

4. Lapsing of Appropriations

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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5. Basis of Budgeting

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

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

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

Net Change in Fund Balance	
	General
GAAP Basis	(\$138,631)
Revenue Accruals	(320,038)
Expenditure Accruals	351,245
Proceeds of Capital Assets	(13,760)
Transfers (Out)	(40,000)
Encumbrances	(191,157)
Budget Basis	(\$352,341)

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

Cash received by the District is pooled for investment purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

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

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$0, \$4,342 in Classroom Facilities and \$109,933 in Other Governmental Funds, (\$109,761 in the Permanent Improvement Fund and \$172 in the Food Service Fund.)



**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**G. Inventory**

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

**H. Capital Assets and Depreciation**

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Depreciation

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

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

**I. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds and Refunding Bonds	Debt Service Fund
Compensated Absences	General Fund

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**J. Compensated Absences**

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of 294 days for certified and 303 days for classified. Upon retirement, employees will receive one-fourth of the accumulated sick leave up to a maximum of 73 ½ days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the termination benefits fund and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the District's restricted net assets of \$9,106,053, none was restricted by enabling legislation.

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

**L. Pensions**

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

**M. Interfund Activity**

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**N. Restricted Assets**

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

**O. Cash with Fiscal Agent**

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

**P. Fund Balance**

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

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

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

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

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

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

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Q. Estimates**

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

**Note 2 - Equity in Pooled Cash and Investments**

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2011, \$7,459,851 of the District's bank balance of \$8,149,835 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institutions trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Investments**

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$526	0.00
Federal Home Loan Bank	1,665,460	3.96
Federal Home Loan Mortgage Corporation	2,754,208	3.24
Federal Farm Credit Bank	500,085	3.19
Federal National Mortgage Association	<u>2,510,310</u>	3.70
Total Fair Value	<u>\$7,430,589</u>	
Portfolio Weighted Average Maturity		3.55

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

**Credit Risk** – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in Money Market Funds, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Bank were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service.

**Concentration of Credit Risk** – The District places no limit on the amount the District may invest in one issuer. Of the District’s total investments, less than 1% in Money Market Funds, 37% in Federal Home Loan Mortgage Corporation, 34% in Federal National Mortgage Association, 7% in Federal Farm Credit Bank, and 22% in Federal Home Loan Bank.

**Custodial Credit Risk** is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District. The District’s investment policy does not address this risk for investments.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 3 – Property Taxes**

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

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2012 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance \$363,865 in the General Fund, \$99,522 in the Debt Service Fund and \$3,608 in the Other Governmental Funds.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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The assessed values, upon which the fiscal year 2011 receipts were based, were as follows:

<u>2010 Second Half Collections</u>		<u>2011 First Half Collections</u>	
Agricultural/Residential and Other Real Estate	\$184,441,760	Agricultural/Residential and Other Real Estate	\$185,954,300
Public Utility Personal	4,169,290	Public Utility Personal	4,322,100
Tangible Personal Property	101,700	Tangible Personal Property	0
Total Assessed Value	<u>\$188,712,750</u>	Total Assessed Value	<u>\$190,276,400</u>
	\$69.03		\$69.03

**Note 4 – Receivables**

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Receivables at June 30, 2011 consisted of taxes, accounts receivable, interest receivable, and intergovernmental receivables.

**Note 5 - Capital Assets**

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**Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at June 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$935,308	\$0	\$0	\$935,308
Construction in Progress	690,342	9,475,839	0	10,166,181
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	29,653,320	26,099	0	29,679,419
Equipment	4,938,820	135,186	48,140	5,025,866
Totals at Historical Cost	<u>\$36,217,790</u>	<u>\$9,637,124</u>	<u>\$48,140</u>	<u>\$45,806,774</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and Improvements	\$6,602,087	\$763,441	\$0	\$7,365,528
Equipment	3,416,094	232,320	43,327	3,605,087
Total Accumulated Depreciation	<u>10,018,181</u>	<u>995,761</u>	<u>43,327</u>	<u>10,970,615</u>
Governmental Activities Capital Assets, Net	<u>\$26,199,609</u>	<u>\$8,641,363</u>	<u>\$4,813</u>	<u>\$34,836,159</u>

Depreciation expenses were charged to governmental functions as follows:



**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Instruction:	
Regular	\$815,489
Special	1,679
Vocational	363
Support Services:	
Pupil	1,829
Instructional Staff	55,391
School Administration	3,605
Fiscal	599
Operations and Maintenance	22,581
Pupil Transportation	30,866
Operation of Non-Instructional Services	27,331
Extracurricular Activities	36,028
Total Depreciation Expense	<u>\$995,761</u>

**Note 6 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$335,304, \$296,232, and \$288,780, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**State Teachers Retirement System of Ohio**

Plan Description

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

Plan Options

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

DB Plan Benefits

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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DC Plan Benefits

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

Combined Plan Benefits

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

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$890,124, \$893,328, and \$827,088, respectively; 83% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Note 7- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the year ended June 30, 2011, 2010 and 2009 were \$18,202, \$16,081 and \$15,470, respectively, which equaled the required contributions each year.

Health Care Plan

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$34,249, \$9,733, and \$85,809, respectively; 58% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

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

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

**State Teachers Retirement System of Ohio**

Plan Description

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

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

**Funding Policy**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$63,580, \$63,809, and \$59,078, respectively; 83% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

**Note 8 - Long-Term Debt and Other Obligations**

Detail of the changes in the bonds and compensated absences of the District for the year ended June 30, 2011 is as follows:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
2003 Building Construction	1.25-5.52%	\$2,779,976	\$0	(\$440,000)	\$2,339,976	\$505,000
2006 Refunding:						
Current Interest Bonds	3.50-4.13%	17,375,000	0	(150,000)	17,225,000	155,000
Capital Appreciation Bonds - Principal		674,986	0	0	674,986	0
Capital Appreciation Bonds - Interest		416,864	163,467	0	580,331	0
Premium		830,159	0	(37,735)	792,424	0
Deferred Amount		(629,064)	0	28,594	(600,470)	0
Subtotal Bonds		21,447,921	163,467	(599,141)	21,012,247	660,000
Compensated Absences		923,675	73,414	(114,954)	882,135	41,962
Total Governmental Activities						
Long-Term Liabilities		\$22,371,596	\$236,881	(\$714,095)	\$21,894,382	\$701,962

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**A. Prior Year Defeasance of Debt**

As a result of the December 2006 advance refunding, the \$18,504,986 of 2003 bonds that were originally for improvements, renovations, and additions to school facilities are considered defeased and the liability is therefore not included on the Statement of Net Assets. The remaining balance on the refunded general obligation bonds as of June 30, 2011 was \$19,359,861.

**B. Refunded Bonds**

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

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

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

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

**C. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2011 follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$660,000	\$776,437	\$1,436,437	\$0	\$0	\$0
2013	685,000	751,849	1,436,849	0	0	0
2014	715,000	725,045	1,440,045	0	0	0
2015	0	711,154	711,154	244,178	495,822	740,000
2016	392,856	903,298	1,296,154	44,485	110,515	155,000
2017-2021	2,392,120	3,688,649	6,080,769	386,323	1,498,677	1,885,000
2022-2026	5,965,000	2,577,561	8,542,561	0	0	0
2027-2031	7,435,000	1,159,228	8,594,228	0	0	0
2032	1,320,000	29,700	1,349,700	0	0	0
<b>Total</b>	<b>\$19,564,976</b>	<b>\$11,322,921</b>	<b>\$30,887,897</b>	<b>\$674,986</b>	<b>\$2,105,014</b>	<b>\$2,780,000</b>

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 9 - Statutory Reserves**

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The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2011, the reserve activity (cash-basis) was as follows:

	Textbooks	Acquisition Reserve
Set-aside Reserve Balance as of June 30, 2010	\$542,722	\$0
Current Year Set-aside Requirement	210,434	210,434
Qualified Disbursements	(122,686)	(53,106)
Current Year Offsets	0	(157,328)
Total	<u>\$630,470</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2011	<u>\$630,470</u>	<u>\$0</u>
Carried Forward as of June 30, 2011	\$630,470	

**Note 10 – Interfund Transactions**

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

	Transfers	
	In	Out
General	\$0	\$49,171
Classroom Facilities	12,327	0
Other Governmental Funds	105,319	68,475
Total	<u>\$117,646</u>	<u>\$117,646</u>

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

In November of 2008 the District was granted permission from OSFC to transfer money from the Permanent Improvement Fund to Classroom Facilities Maintenance Fund (both funds are Other Governmental Funds) to meet the District’s 1/2 mill requirement.



**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 11 - Risk Management**

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The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2011 the District contracted with the following insurance providers for various insurance coverages, as follows:

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

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

**Note 12 - Insurance Purchasing Pool**

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

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

**Note 13 - Jointly Governed Organizations**

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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

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

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

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Note 14 – Contingencies**

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**A. Grants**

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

**B. Litigation**

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

**Note 15 – Accountability**

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The following funds had deficit fund balances at June 30, 2011:

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Title I	\$7,893
IDEA Early Education	375
Title II-A	2,792

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

**Note 16 – Fund Balances**

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

Fund Balances	General	Debt Service	Classroom Facilities Maintenance	Other Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory	\$53,879	\$0	\$0	\$6,948	\$60,827
<b>Total Nonspendable</b>	<b>53,879</b>	<b>0</b>	<b>0</b>	<b>6,948</b>	<b>60,827</b>
<b>Restricted for:</b>					
Set Asides	630,470	0	0	0	630,470
Extracurricular Student Activities	0	0	0	81,962	81,962
Local Grants	0	0	0	2,343	2,343
Education Management Information System	0	0	0	511	511
IDEA Part B	0	0	0	16,372	16,372
Title I	0	0	0	720	720
Idea Early Education	0	0	0	40	40
Title II-A	0	0	0	166	166
Food Service	0	0	0	33,847	33,847
Classroom Facilities Maintenance	0	0	0	158,209	158,209
Debt Service	0	6,080,598	0	0	6,080,598
Classroom Facilities	0	0	993,667	0	993,667
Permanent Improvement	0	0	0	585,664	585,664
<b>Total Restricted</b>	<b>630,470</b>	<b>6,080,598</b>	<b>993,667</b>	<b>879,834</b>	<b>8,584,569</b>
<b>Assigned to:</b>					
Encumbrances	126,070	0	0	0	126,070
<b>Total Assigned</b>	<b>126,070</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126,070</b>
<b>Unassigned (Deficit)</b>	<b>2,743,540</b>	<b>0</b>	<b>0</b>	<b>(11,986)</b>	<b>2,731,554</b>
<b>Total Fund Balance</b>	<b>\$3,553,959</b>	<b>\$6,080,598</b>	<b>\$993,667</b>	<b>\$874,796</b>	<b>\$11,503,020</b>

**Note 17 – Change in Accounting Principles and Restatement of Fund Balance**

**Change in Accounting Principles**

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

**Brookville Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2011**

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**Restatement of Fund Balance**

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

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2010	\$3,558,333	\$1,581,529
Change in Fund Structure	134,257	(134,257)
Fund Balance, June 30, 2010 - Restated	<u>\$3,692,590</u>	<u>\$1,447,272</u>

BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	PASS-THROUGH GRANT NUMBER	CFDA NUMBER	CASH FEDERAL RECEIPTS	NON-CASH FEDERAL RECEIPTS	CASH FEDERAL DISBURSEMENTS	NON-CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 13,952	\$ -	\$ 13,952	\$ -
National School Lunch Program	3L60	10.555	159,230	53,823	159,230	53,823
<b>Total Child Nutrition Cluster</b>			173,182	53,823	173,182	53,823
<b>Total United States Department of Agriculture</b>			173,182	53,823	173,182	53,823
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	190,955	-	190,955	-
Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	48,668	-	48,668	-
<b>Total Title I, Part A Cluster</b>			239,623	-	239,623	-
<i>Special Education Cluster (IDEA)</i>						
Special Education Grants to States	3M20	84.027	298,653	-	298,653	-
Special Education Preschool Grants	3C50	84.173	14,380	-	14,380	-
Special Education Grants to States, Recovery Act	3DJ0	84.391	58,579	-	58,579	-
Special Education Preschool Grants, Recovery Act	3DL0	84.392	1,119	-	1,119	-
<b>Total Special Education Cluster (IDEA)</b>			372,731	-	372,731	-
Education Technology State Grants	3S20	84.318	627	-	627	-
Improving Teacher Quality - State Grants	3Y60	84.367	49,826	-	49,826	-
State Fiscal Stabilization Fund - Education State Grants Recovery Act	GRF	84.394	392,279	-	392,279	-
<b>Total United States Department of Education</b>			1,055,086	-	1,055,086	-
<b>Total Federal Financial Assistance</b>			\$ 1,228,268	\$ 53,823	\$ 1,228,268	\$ 53,823

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**BROOKVILLE LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION**

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

**NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

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

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### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookville Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2011 wherein we noted that the District implemented GASB Statements No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

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

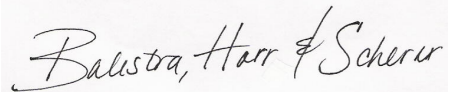
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies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

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

### **Compliance and Other Matters**

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.  
November 21, 2011



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

### Compliance

We have audited the compliance of Brookville Local School District, Montgomery County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Brookville Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

### Internal Control Over Compliance

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

Members of the Board of Education  
Brookville Local School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
November 21, 2011

**Brookville Local School District  
Montgomery County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States; CFDA# 84.027 Special Education Preschool Grants; CFDA# 84.173 Special Education Grants to States – ARRA; CFDA# 84.391 Special Education Preschool Grants – ARRA; CFDA# 84.392 State Fiscal Stabilization Fund (SFSF) – Education State Grants, ARRA; CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Brookville Local School District  
Montgomery County, Ohio**

**Schedule of Findings  
*OMB Circular A-133 Section §.505*  
June 30, 2011**

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

**None noted**

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

**None noted**



# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report on Applying Agreed Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on September 22, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

November 21, 2011

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# Dave Yost • Auditor of State

**BROOKVILLE LOCAL SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 9, 2012**