



Dave Yost • Auditor of State

**BROOKVILLE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Brookville Local School District
Montgomery County
75 June Place
Brookville, Ohio 45309

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brookville Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

April 15, 2014

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Brookville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

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, 2013. 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 2013 are as follows:

- Net position of governmental activities decreased \$2,666,914 which represents a 12.2% decrease from 2012.
- General revenues accounted for \$12,477,045 in revenue or 83.4% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,491,234 or 16.6% of total revenues of \$14,968,279.
- The District had \$17,635,193 in expenses related to governmental activities; \$2,491,234 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,477,045 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 Position* 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 and Debt Service Funds are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" 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.

Brookville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

These two statements report the District's *net position* and changes in position. This change in net position 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 funds 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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

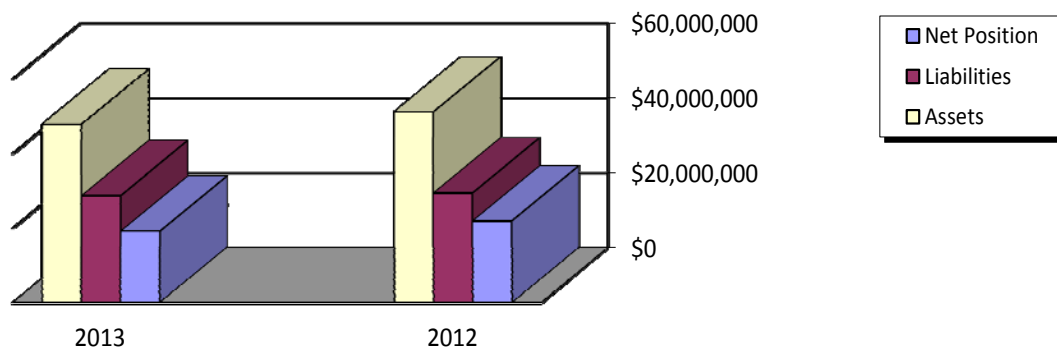
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2013 compared to 2012:

Brookville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets:		
Current and Other Assets	\$16,787,834	\$18,096,161
Capital Assets	30,940,220	32,974,812
Total Assets	47,728,054	51,070,973
Liabilities:		
Other Liabilities	7,590,671	7,741,412
Long-Term Liabilities	21,013,533	21,538,797
Total Liabilities	28,604,204	29,280,209
Net Position:		
Net Investment in Capital Assets	11,871,586	13,212,037
Restricted	6,157,808	6,805,661
Unrestricted	1,094,456	1,773,066
Total Net Position	\$19,123,850	\$21,790,764



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities by \$19,123,850.

At year-end, capital assets represented 65% of total assets. Capital assets include land, buildings and improvements and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2013, was \$11,871,586. 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, 2013
(Unaudited)

A portion of the District's net position, \$6,157,808, 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 decreased from 2012 to 2013 because of current year depreciation being greater than current year additions. Long term liabilities decreased from 2012 to 2013 due to the District making regularly scheduled debt payments.

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues:		
Program Revenues		
Charges for Services	\$1,123,699	\$1,097,812
Operating Grants and Contributions	1,265,669	1,505,782
Capital Grants and Contributions	101,866	10,000
General Revenues:		
Property Taxes	6,287,933	6,689,794
Grants and Entitlements not Restricted	5,897,421	6,160,439
Other	291,691	166,310
Total Revenues	14,968,279	15,630,137
Program Expenses:		
Instruction	9,540,371	9,065,546
Support Services:		
Pupil and Instructional Staff	1,642,251	1,709,465
School Administrative, General		
Administration, Fiscal and Business	1,792,368	1,811,209
Operations and Maintenance	1,263,192	1,430,591
Pupil Transportation	793,869	1,147,071
Central	33,444	53,291
Operation of Non-Instructional Services	769,097	832,414
Extracurricular Activities	839,112	848,437
Interest and Fiscal Charges	961,489	958,148
Total Program Expenses	17,635,193	17,856,172
Change in Net Position	(2,666,914)	(2,226,035)
Beginning Net Position	21,790,764	24,016,799
Ending Net Position	<u>\$19,123,850</u>	<u>\$21,790,764</u>

Brookville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

Governmental Activities

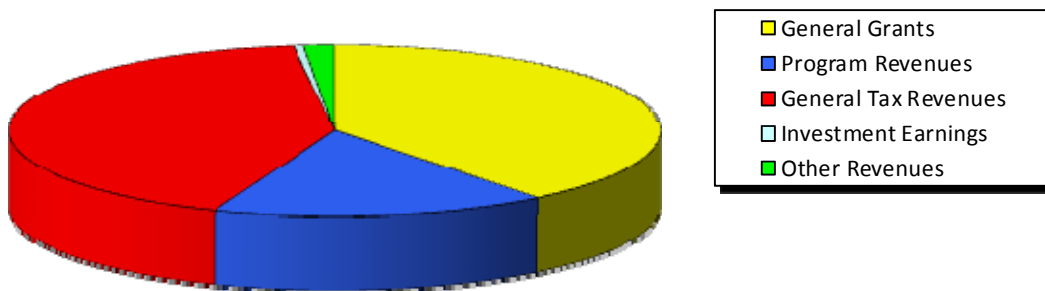
The District revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes, and grants and entitlements comprised 82% of the District's revenues for governmental activities.

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 2013.

Governmental Activities
Revenue Sources

Revenue Sources	2013	Percentage
General Grants	\$5,897,421	39.4%
Program Revenues	2,491,234	16.6%
General Tax Revenues	6,287,983	42.0%
Investment Earnings	77,351	0.5%
Other Revenues	214,340	1.5%
Total Revenue Sources	\$14,968,279	100.0%



Instruction comprises 54% of governmental program expenses. Support services expenses were 31% of governmental program expenses. All other expenses including interest expense were 15%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total revenues decreased mostly due to a decrease in property tax monies received by the District in 2013 compared to 2012. Total expenses decreased due to ongoing cost saving measures throughout the District.

Brookville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(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	
	2013	2012	2013	2012
Instruction	\$9,540,371	\$9,065,546	(\$8,467,689)	(\$7,748,636)
Support Services:				
Pupil and Instructional Staff	1,642,251	1,709,465	(1,408,630)	(1,493,517)
School Administrative, General				
Administration, Fiscal and Business	1,792,368	1,811,209	(1,789,113)	(1,808,342)
Operations and Maintenance	1,263,192	1,430,591	(1,243,448)	(1,417,283)
Pupil Transportation	793,869	1,147,071	(653,061)	(1,054,709)
Central	33,444	53,291	(28,044)	(41,754)
Operation of Non-Instructional Services	769,097	832,414	(119,827)	(145,237)
Extracurricular Activities	839,112	848,437	(472,658)	(574,952)
Interest and Fiscal Charges	961,489	958,148	(961,489)	(958,148)
Total Expenses	<u>\$17,635,193</u>	<u>\$17,856,172</u>	<u>(\$15,143,959)</u>	<u>(\$15,242,578)</u>

The District's Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general fund comprised \$9,049,787 (54%), the debt service fund comprised \$6,290,170 (38%) of the total \$16,703,158 governmental funds' assets.

General Fund: Fund balance at June 30, 2013 was \$2,646,435, a decrease in fund balance of \$529,907 from 2012. The decrease in fund balance is mainly due to expenses being greater than revenues, which is consistent with prior year.

Debt Service Fund: Fund balance at June 30, 2013 was \$5,028,920, an increase in fund balance of \$52,094 from 2012. The increase in fund balance is mainly due to revenues being greater than expenses, which is consistent with prior year.

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, 2013
(Unaudited)

During the course of fiscal year 2013, 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 \$11,735,752, compared to final budget estimates of \$11,844,023. The difference between the original budget basis and final budget was \$108,271, which was mostly due to underestimates in taxes and intergovernmental revenues.

The District's ending unobligated cash balance was \$3,383,269.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$30,940,220 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

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

	Governmental Activities	
	2013	2012
Land	\$935,308	\$935,308
Buildings and Improvements	28,420,354	30,320,308
Equipment	1,584,558	1,719,196
Total Net Capital Assets	<u>\$30,940,220</u>	<u>\$32,974,812</u>

Overall, Net Capital Assets decreased mainly due to current year depreciation being greater than current year additions.

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

Debt

At June 30, 2013, the District had \$20,052,984 in debt outstanding, \$715,000 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, 2013
(Unaudited)

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2013	2012
General Obligation Bonds:		
2003 Building Construction	\$1,309,976	\$1,834,976
2006 School Improvement Refunding Bonds:		
Current Interest	16,910,000	17,070,000
Capital Appreciation Bonds - Principal	674,986	674,986
Capital Appreciation Bonds - Interest	984,350	768,272
Premium on Refunding Bonds	716,954	754,689
Deferred Amount on Refunding Bonds	(543,282)	(571,876)
Total Bonds	\$20,052,984	\$20,531,047

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

For the Future

The Ohio Department of Education explains the school funding model in Ohio as follows:

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Since the 1970s through FY 2009, with the exception of a few years, Ohio's funding formula was foundation based by means of which a per pupil amount determined by the General Assembly as the per-pupil resource for provision of a basic adequate education was multiplied by the number of pupils to determine the base funding of the school districts. From this product, the local share of the basic adequate amount or the charge off was subtracted to arrive at the state share of the base funding. Additional funding was also provided for services targeted to categories of pupils such as handicapped, vocational, gifted, and economically disadvantaged as well as some adjustments and funding guarantees.

The 2010-11 biennial budget (Am. Sub. H.B. 1 of the 128th General Assembly), established a new funding formula called the Evidence-Based Model (EBM). Am. Sub. H.B. 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula for the 2012-13 biennial budget as a new school funding formula is developed. The temporary formula is called the Bridge formula.

The Bridge formula provides for a simplified approach to fund distribution based on FY 2011 total calculated amounts on per pupil basis for both FY 2012 and FY 2013. The FY 2013 funding calculation involves the use of ADM and funding factors from FY 2011 applied to FY 2013 ADM with additional adjustments utilizing charge-off property valuation data in FY 2011. Based on this approach in FY 2013, school districts are provided with total funding amounts without any calculation for various education or support services such as special education, gifted education or transportation.

Brookville Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)

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 Daniel Schall, Treasurer at Brookville Local School District, 75 June Place, Brookville, Ohio 45309. Or email at bv_treas@mdeca.org.

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Brookville Local School District, Ohio
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$10,055,139
Receivables:	
Taxes	6,410,277
Accounts	60,598
Interest	4,637
Intergovernmental	102,492
Deferred Bond Issuance Costs	92,239
Inventory	62,452
Nondepreciable Capital Assets	935,308
Depreciable Capital Assets, Net	<u>30,004,912</u>
 Total Assets	 <u>47,728,054</u>
 Liabilities:	
Accounts Payable	189,941
Accrued Wages and Benefits	1,393,486
Retainage Payable	11,715
Accrued Interest Payable	61,578
Unearned Revenue	5,933,951
Long-Term Liabilities:	
Due Within One Year	880,307
Due In More Than One Year	<u>20,133,226</u>
 Total Liabilities	 <u>28,604,204</u>
 Net Position:	
Net Investment in Capital Assets	11,871,586
Restricted for:	
Local Grants	603
Debt Service	5,114,976
Capital Projects	754,770
Food Service	45,331
Classroom Facilities Maintenance	187,166
Federal Grants	10,108
Extracurricular	44,854
Unrestricted	<u>1,094,456</u>
 Total Net Position	 <u>\$19,123,850</u>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$7,962,598	\$307,965	\$73,175	\$10,000	(\$7,571,458)
Special	1,293,602	37,307	620,057	0	(636,238)
Vocational	186,013	0	24,178	0	(161,835)
Other	98,158	0	0	0	(98,158)
Support Services:					
Pupil	807,214	0	77,620	0	(729,594)
Instructional Staff	835,037	0	156,001	0	(679,036)
General Administration	24,423	0	0	0	(24,423)
School Administration	1,393,869	0	3,255	0	(1,390,614)
Fiscal	373,558	0	0	0	(373,558)
Business	518	0	0	0	(518)
Operations and Maintenance	1,263,192	13,336	6,408	0	(1,243,448)
Pupil Transportation	793,869	120,235	20,573	0	(653,061)
Central	33,444	0	5,400	0	(28,044)
Operation of Non-Instructional Services	769,097	386,428	262,842	0	(119,827)
Extracurricular Activities	839,112	258,428	16,160	91,866	(472,658)
Interest and Fiscal Charges	961,489	0	0	0	(961,489)
Total Governmental Activities	\$17,635,193	\$1,123,699	\$1,265,669	\$101,866	(15,143,959)

General Revenues:	
Property Taxes Levied for:	
General Purposes	4,983,014
Debt Service Purposes	1,271,014
Capital Projects Purposes	33,905
Grants and Entitlements not Restricted	5,897,421
Unrestricted Contributions	26,706
Investment Earnings	77,351
Payment in Lieu of Taxes	155,220
Other Revenues	32,414
Total General Revenues	12,477,045
Change in Net Position	(2,666,914)
Net Position - Beginning of Year	21,790,764
Net Position - End of Year	\$19,123,850

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$3,856,332	\$4,987,464	\$1,211,343	\$10,055,139
Receivables:				
Taxes	5,073,432	1,302,706	34,139	6,410,277
Accounts	55,864	0	4,734	60,598
Interest	0	0	4,637	4,637
Intergovernmental	0	0	102,492	102,492
Interfund	7,563	0	0	7,563
Inventory	56,596	0	5,856	62,452
Total Assets	9,049,787	6,290,170	1,363,201	16,703,158
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	45,735	0	144,206	189,941
Accrued Wages and Benefits	1,296,179	0	97,307	1,393,486
Compensated Absences	144,354	0	0	144,354
Retainage Payable	0	0	11,715	11,715
Interfund Payable	0	0	7,563	7,563
Deferred Revenue	4,917,084	1,261,250	36,413	6,214,747
Total Liabilities	6,403,352	1,261,250	297,204	7,961,806
Fund Balances:				
Nonspendable	56,596	0	5,856	62,452
Restricted	0	5,028,920	1,061,308	6,090,228
Committed	22,788	0	0	22,788
Assigned	884,193	0	0	884,193
Unassigned	1,682,858	0	(1,167)	1,681,691
Total Fund Balances	2,646,435	5,028,920	1,065,997	8,741,352
Total Liabilities and Fund Balances	\$9,049,787	\$6,290,170	\$1,363,201	\$16,703,158

See accompanying notes to the basic financial statements

Brookville Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2013

Total Governmental Fund Balance		\$8,741,352
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,940,220
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	277,522	
Interest	<u>3,274</u>	
		280,796
In the statement of net position 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.		(61,578)
Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(816,195)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		92,239
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(20,052,984)</u>
Net Position of Governmental Activities		<u><u>\$19,123,850</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, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$4,966,831	\$1,266,845	\$33,803	\$6,267,479
Revenue in lieu of taxes	155,220	0	0	155,220
Tuition and Fees	393,581	0	0	393,581
Investment Earnings	0	0	77,838	77,838
Intergovernmental	6,067,352	239,084	840,494	7,146,930
Extracurricular Activities	111,208	0	162,947	274,155
Charges for Services	69,535	0	386,428	455,963
Other Revenues	62,592	0	119,461	182,053
Total Revenues	11,826,319	1,505,929	1,620,971	14,953,219
Expenditures:				
Current:				
Instruction:				
Regular	5,542,869	0	35,217	5,578,086
Special	1,009,622	0	243,303	1,252,925
Vocational	171,186	0	5,540	176,726
Other	96,937	0	0	96,937
Support Services:				
Pupil	722,768	0	99,454	822,222
Instructional Staff	705,847	0	145,485	851,332
General Administration	24,172	0	0	24,172
School Administration	1,366,386	0	3,016	1,369,402
Fiscal	344,388	16,986	519	361,893
Business	518	0	0	518
Operations and Maintenance	1,124,361	0	145,895	1,270,256
Pupil Transportation	763,767	0	2,340	766,107
Central	26,378	0	5,400	31,778
Operation of Non-Instructional Services	54,649	0	646,308	700,957
Extracurricular Activities	361,687	0	215,383	577,070
Capital Outlay	0	0	787,106	787,106
Debt Service:				
Principal Retirement	0	685,000	0	685,000
Interest and Fiscal Charges	0	751,849	0	751,849
Total Expenditures	12,315,535	1,453,835	2,334,966	16,104,336
Excess of Revenues Over (Under) Expenditures	(489,216)	52,094	(713,995)	(1,151,117)
Other Financing Sources (Uses):				
Transfers In	0	0	96,839	96,839
Transfers (Out)	(40,691)	0	(56,148)	(96,839)
Total Other Financing Sources (Uses)	(40,691)	0	40,691	0
Net Change in Fund Balance	(529,907)	52,094	(673,304)	(1,151,117)
Fund Balance - Beginning of Year	3,176,342	4,976,826	1,739,301	9,892,469
Fund Balance - End of Year	\$2,646,435	\$5,028,920	\$1,065,997	\$8,741,352

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, 2013

Net Change in Fund Balance - Total Governmental Funds (\$1,151,117)

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	116,888	
Depreciation Expense	<u>(2,151,480)</u>	
		(2,034,592)

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

Delinquent Property Taxes	20,454	
Interest	<u>(5,394)</u>	
		15,060

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

685,000

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

2,152

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	28,375	
Amortization of Bond Issuance Cost	(4,855)	
Amortization of Bond Premium	37,735	
Amortization of Deferred Charge on Refunding	(28,594)	
Bond Accretion	<u>(216,078)</u>	
		<u>(183,417)</u>

Change in Net Position of Governmental Activities (\$2,666,914)

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, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$5,125,097	\$5,172,380	\$5,172,380	\$0
Revenue in lieu of taxes	153,801	155,220	155,220	0
Tuition and Fees	374,035	377,486	377,486	0
Intergovernmental	6,011,888	6,067,352	6,067,352	0
Extracurricular Activities	41,872	42,258	42,258	0
Charges for Services	13,214	13,336	13,336	0
Other Revenues	15,845	15,991	15,991	0
Total Revenues	<u>11,735,752</u>	<u>11,844,023</u>	<u>11,844,023</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,671,890	5,650,481	5,509,646	140,835
Special	1,041,898	1,037,966	1,012,095	25,871
Vocational	177,734	177,063	172,650	4,413
Other	107,835	107,428	104,750	2,678
Support Services:				
Pupil	720,364	717,645	699,758	17,887
Instructional Staff	709,642	706,964	689,343	17,621
General Administration	25,531	25,435	24,801	634
School Administration	1,388,984	1,383,741	1,349,252	34,489
Fiscal	357,357	356,008	347,135	8,873
Business	533	531	518	13
Operations and Maintenance	1,263,338	1,258,569	1,227,200	31,369
Pupil Transportation	805,076	802,037	782,047	19,990
Central	28,339	28,232	27,528	704
Extracurricular Activities	366,727	365,343	356,237	9,106
Total Expenditures	<u>12,665,248</u>	<u>12,617,443</u>	<u>12,302,960</u>	<u>314,483</u>
Excess of Revenues Over (Under) Expenditures	<u>(929,496)</u>	<u>(773,420)</u>	<u>(458,937)</u>	<u>314,483</u>
Other financing sources (uses):				
Proceeds from Sale of Assets	248	250	250	0
Transfers (Out)	(195,595)	(194,857)	(190,000)	4,857
Total Other Financing Sources (Uses)	<u>(195,347)</u>	<u>(194,607)</u>	<u>(189,750)</u>	<u>4,857</u>
Net Change in Fund Balance	(1,124,843)	(968,027)	(648,687)	319,340
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	<u>4,031,956</u>	<u>4,031,956</u>	<u>4,031,956</u>	<u>0</u>
Fund Balance - End of Year	<u>\$2,907,113</u>	<u>\$3,063,929</u>	<u>\$3,383,269</u>	<u>\$319,340</u>

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	\$30,147	\$61,301
Receivables:		
Accounts	<u>0</u>	<u>346</u>
Total Assets	<u>30,147</u>	<u>61,647</u>
Liabilities:		
Accounts Payable	0	3,001
Other Liabilities	<u>0</u>	<u>58,646</u>
Total Liabilities	<u>0</u>	<u>\$61,647</u>
Net Position:		
Held in Trust	<u>30,147</u>	
Total Net Position	<u>\$30,147</u>	

See accompanying notes to the basic financial statements.

Brookville Local School District, Ohio
 Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust Fund
Additions:	
Donations	\$400
Investment Earnings	65
Total Additions	<u>465</u>
Deductions:	
Other	<u>950</u>
Total Deductions	<u>950</u>
Change in Net Position	(485)
Net Position - Beginning of Year	<u>30,632</u>
Net Position - End of Year	<u><u>\$30,147</u></u>

See accompanying notes to the basic financial statements.

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Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

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 73 noncertified and approximately 100 certified teaching personnel and administrative employees providing education to 1,455 students.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation, and care and upkeep of grounds and buildings.

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

The District participates in one insurance purchasing pool and three jointly governed organizations. These organizations are discussed in Note 12 and Note 13 to the basic financial statements. These organizations are:

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

Jointly Governed Organizations:

- Southwestern Ohio Instructional Technology Association
- Southwestern Ohio Educational Purchasing Council
- Metropolitan Dayton Educational Cooperative Association

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, 2013

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.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. 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.

Basis of Presentation-Financial Statements

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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.

Basis of Accounting

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

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

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

Current property taxes measurable at June 30, 2013, and which are not intended to finance fiscal year 2013 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.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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.

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.

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 2013.

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

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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 2013.

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.

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	
	<u>General</u>
GAAP Basis	(\$529,907)
Revenue Accruals	17,704
Expenditure Accruals	192,502
Proceeds of Capital Assets	250
Transfers (Out)	(149,309)
Encumbrances	<u>(179,927)</u>
Budget Basis	<u><u>(\$648,687)</u></u>

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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 2013 amounted to \$0 and \$77,838 in Other Governmental Funds.

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.

Capital Assets and Depreciation

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

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 Position, 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, 2013 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.

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

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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

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 position, "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.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is 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 position of \$6,157,808, 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 position are available.

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.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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.

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 expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 2 - Equity in Pooled Cash and Investments

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

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

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

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

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

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

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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, 2013, \$1,851,952 of the District's bank balance of \$6,101,952 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 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, 2013, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Home Loan Bank	\$757,350	4.71
Federal National Mortgage Association	1,142,877	4.24
Federal Farm Credit Bank	1,951,350	4.22
Money Market Fund	203,977	
Total Fair Value	<u>\$4,055,554</u>	
Portfolio Weighted Average Maturity		4.05

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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 Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Bank were rated AA+ 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, 28% in Federal National Mortgage Association, 19% in Federal Home Loan Bank, 48% in Federal Farm Credit Bank and 5% in Money Market Fund.

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

Note 3 – Property Taxes

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

Tangible personal property tax revenue received during calendar year 2013 (other than public utility property tax) represents the collection of 2013 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 2013 were levied after April 1, 2012, on the value as of December 31, 2012. 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.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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 Montgomery 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, 2013, are available to finance fiscal year 2014 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, 2013. 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 the portion not intended to finance current fiscal year operations. The amount available as an advance at June 30, 2013, was \$198,804 and is recognized as revenue: \$156,348 in the General Fund, \$41,456 in the Debt Service Fund and \$1,000 in the Other Governmental Funds. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values, upon which the fiscal year 2013 receipts were based, were as follows:

<u>2012 Second Half Collections</u>		<u>2013 First Half Collections</u>	
Agricultural/Residential and		Agricultural/Residential and	
Other Real Estate	\$183,289,100	Other Real Estate	\$182,899,360
Public Utility Personal	<u>4,402,680</u>	Public Utility Personal	<u>4,666,200</u>
Total Assessed Value	<u><u>\$187,691,780</u></u>	Total Assessed Value	<u><u>\$187,565,560</u></u>
	\$69.03		\$69.03

Note 4 – Receivables

Receivables at June 30, 2013 consisted of taxes, accounts receivable, interest receivable, interfund receivable, and intergovernmental receivables.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 5 - Capital Assets

Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$935,308	\$0	\$0	\$935,308
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	38,529,886	1,695	0	38,531,581
Equipment	5,615,890	115,193	0	5,731,083
Totals at Historical Cost	<u>\$45,081,084</u>	<u>\$116,888</u>	<u>\$0</u>	<u>\$45,197,972</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$8,209,578	\$1,901,649	\$0	\$10,111,227
Equipment	3,896,694	249,831	0	4,146,525
Total Accumulated Depreciation	<u>12,106,272</u>	<u>2,151,480</u>	<u>0</u>	<u>14,257,752</u>
Governmental Activities Capital Assets, Net	<u>\$32,974,812</u>	<u>(\$2,034,592)</u>	<u>\$0</u>	<u>\$30,940,220</u>

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$2,023,193
Special	4,629
Vocational	1,029
Support Services:	
Pupil	2,036
Instructional Staff	7,033
General Administration	251
School Administration	3,242
Fiscal	153
Operations and Maintenance	7,726
Pupil Transportation	28,732
Central	1,666
Operation of Non-Instructional Services	35,564
Extracurricular Activities	36,226
Total Depreciation Expense	<u>\$2,151,480</u>

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 6 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the 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, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% 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, 2013, 2012, and 2011 were \$331,014, \$337,968, and \$335,304, respectively; contributions equaled the required contributions for each year.

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.

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.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

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

Combined Plan Benefits

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

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.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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

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

Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers; 13% was the portion used to fund pension obligations. The District's contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$885,404, \$890,964, and \$890,124, respectively; 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 7- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

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 2013 was \$104.90 for most participants, but could be as high as \$335.70 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 2013, the actuarially required allocation was 0.74%. District contributions for the years ended June 30, 2013, 2012 and 2011 were \$17,496, \$18,105, and \$18,202, respectively, which equaled the required contributions each year.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2013, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. 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, 2013, 2012, and 2011 were \$3,783, \$13,277, and \$34,249, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

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

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

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

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting 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, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$63,243, \$63,640, and \$63,580, 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

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, 2013 is as follows:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
2003 Building Construction	1.25-5.52%	\$1,834,976	\$0	(\$525,000)	\$1,309,976	\$545,000
2006 Refunding:						
Current Interest Bonds	3.50-4.13%	17,070,000	0	(160,000)	16,910,000	170,000
Capital Appreciation Bonds - Principal		674,986	0	0	674,986	0
Capital Appreciation Bonds - Interest Premium		768,272	216,078	0	984,350	0
Deferred Amount		754,689	0	(37,735)	716,954	0
		(571,876)	0	28,594	(543,282)	0
Subtotal Bonds		20,531,047	216,078	(694,141)	20,052,984	715,000
Compensated Absences		1,007,750	134,696	(181,897)	960,549	165,307
Total Governmental Activities Long-Term Liabilities		<u>\$21,538,797</u>	<u>\$350,774</u>	<u>(\$876,038)</u>	<u>\$21,013,533</u>	<u>\$880,307</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the termination benefits fund, which is reported as part of the General Fund for GAAP reporting purposes.

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 Position.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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.

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, 2013 follows:

Fiscal Year Ending June 30	Current Interest Bonds			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
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	372,120	924,034	1,296,154	38,693	116,307	155,000
2018	0	711,154	711,154	160,669	579,331	740,000
2019-2023	4,205,000	3,227,669	7,432,669	186,961	803,039	990,000
2024-2028	6,565,000	2,064,656	8,629,656	0	0	0
2029-2032	5,970,000	527,625	6,497,625	0	0	0
Total	\$18,219,976	\$9,794,635	\$28,014,611	\$674,986	\$2,105,014	\$2,780,000

Note 9 - Statutory Reserves

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2013, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Reserve Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	254,600
Current Year Offsets	(254,600)
Total	\$0
Set-Aside Reserve Balance as of June 30, 2013	\$0
Carried Forward as of June 30, 2013	

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

Note 10 – Interfund Transactions

Interfund transactions at June 30, 2013, consisted of the following interfund receivables and payables and transfers in and out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General	\$7,563	\$0	\$0	\$40,691
Other Governmental Funds	0	7,563	96,839	56,148
Total	<u>\$7,563</u>	<u>\$7,563</u>	<u>\$96,839</u>	<u>\$96,839</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.

Note 11 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2013 the District contracted with the following insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
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.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

Note 12 - Insurance Purchasing Pool

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

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

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, 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 position 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. During the fiscal year 2013, the District paid \$1,917 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Educational Purchasing Council (SOEPC) - SOEPC is a purchasing council made up of nearly one hundred school districts in twelve counties. 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. During fiscal year 2013, the District paid \$903 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Brookville Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2013

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. During fiscal year 2013, the District paid \$26,092 to MDECA. Financial information can be obtained from Dean Reineke, who serves as the Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

Note 14 – Contingencies

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

The following funds had deficit fund balances at June 30, 2013:

<u>Other Governmental Funds:</u>	<u>Deficit</u>
IDEA Early Education	\$165
IDEA Part B	1,002

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

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, 2013

Fund Balances	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Inventory	\$56,596	\$0	\$5,856	\$62,452
Total Nonspendable	56,596	0	5,856	62,452
Restricted for:				
Local Grants	0	0	603	603
Athletics	0	0	44,854	44,854
Title I	0	0	11,791	11,791
Title II-A	0	0	6,166	6,166
Food Service	0	0	60,636	60,636
Miscellaneous Federal Grants	0	0	31	31
Classroom Facilities Maintenance	0	0	187,166	187,166
Debt Service	0	5,028,920	0	5,028,920
Classroom Facilities	0	0	498,081	498,081
Permanent Improvement	0	0	251,980	251,980
Total Restricted	0	5,028,920	1,061,308	6,090,228
Committed to:				
Termination Benefits	22,788	0	0	22,788
Total Committed	22,788	0	0	22,788
Assigned to:				
Public Schools	72,838	0	0	72,838
Budgetary Resource	667,500	0	0	667,500
Encumbrances	143,855	0	0	143,855
Total Assigned	884,193	0	0	884,193
Unassigned (Deficit)	1,682,858	0	(1,167)	1,681,691
Total Fund Balance	\$2,646,435	5,028,920	\$1,065,997	\$8,741,352

Note 17 – Change in Accounting Principles

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. The implementation of this statement did not result in any change in the District's financial statements. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position. These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

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**BROOKVILLE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$25,900		\$25,900	
National School Lunch Program	10.555	186,050	\$41,718	186,050	\$41,718
Total Child Nutrition Cluster		<u>211,950</u>	<u>41,718</u>	<u>211,950</u>	<u>41,718</u>
State Administrative Expenses for Child Nutrition	10.560	<u>3,377</u>		<u>2,905</u>	
Total U.S. Department of Agriculture		<u>215,327</u>	<u>41,718</u>	<u>214,855</u>	<u>41,718</u>
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	168,399		185,508	
Special Education Cluster:					
Special Education - Grants to States	84.027	253,066		262,730	
Special Education - Preschool Grants	84.173	14,805		16,625	
Total Special Education Cluster		<u>267,871</u>		<u>279,355</u>	
Improving Teacher Quality State Grants	84.367	34,240		38,155	
ARRA State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	1,400		1,400	
Education Jobs Fund	84.410	10,287		41,197	
Total U.S. Department of Education		<u>482,197</u>		<u>545,615</u>	
Total Federal Financial Assistance		<u>\$697,524</u>	<u>\$41,718</u>	<u>\$760,470</u>	<u>\$41,718</u>

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

**BROOKVILLE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports Brookville Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Brookville Local School District
Montgomery County
75 June Place
Brookville, Ohio 45309

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brookville Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 15, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding Number 2013-001 described in the accompanying schedule of findings to be a material weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as Finding Number 2013-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

April 15, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Brookville Local School District
Montgomery County
75 June Place
Brookville, Ohio 45309

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Brookville Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Brookville Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Brookville Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

April 15, 2014

**BROOKVILLE LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program: CFDA #10.553 National School Lunch Program: CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2013-001

Material Weakness – Financial Statement Errors and Cash Reconciliation

The District prepared its annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The District's fiscal year 2013 financial statements contained errors which resulted in the following adjustments to correctly report the financial activity of the District:

- Cash was understated by \$77,351 and investment income was understated by \$77,351 in the Permanent Improvement Fund. This error also resulted in restricted fund balance in the Permanent Improvement Fund to be understated by \$77,351. This error was a result of the mark to market adjustment being made to the District's financial statements. Investments were erroneously on the District's accounting system at the current market value instead of at the cost value at year-end. The mark to market adjustment was then made again during the financial statement compilation process.
- The Debt Service Fund and Governmental Activities reported Cash and Cash Equivalents with Fiscal Agent in the amount of \$3,993,250. It was determined that the District held this money in a District bank account and that no fiscal agent was involved. A reclassification in the amount of \$3,993,250 was made to show the cash as part of Equity with Pooled Cash and Investments.

These errors required adjustment to the financial statements for other governmental funds, the debt service fund, and governmental activities.

We also identified other errors that were not material to their respective opinion units and were not adjusted. In other governmental funds (Permanent Improvement Fund), transfers in and transfers out were understated by \$40,000. In the General Fund, assigned fund balance was understated by \$60,175 and unassigned fund balance was overstated by \$60,175.

Failure to review the District's annual financial report could result in materially misstated financial statements and misleading financial information.

The District should implement procedures to review its annual GAAP financial statements to ensure that any significant errors are identified and corrected. Also, the District should not book gains and losses on investments to its accounting system. The cash/investment balance on the District's accounting system should be on the cost basis.

Officials' Response:

We did not receive a response from District officials regarding this finding.

FINDING NUMBER 2013-002

Material Noncompliance – Interest Receipts

Ohio Rev. Code Section 3315.01 states that (A) except as provided in division (B) of this section and notwithstanding sections 3315.12 and 3315.14 of the Revised Code, the board of education of any school district may adopt a resolution requiring the treasurer of the district to credit the earnings made on the investment of the principal of the moneys specified in the resolution to the fund from which the earnings arose or any other fund of the district as the board specifies in its resolution.

(B) This section does not apply to the earnings made on the investment of the bond retirement fund, the sinking fund, a project construction fund established pursuant to sections 3318.01 to 3318.20 of the Revised Code, or the payments received by school districts pursuant to division (E) of section 3317.024 of the revised code. Section 3317.024 of the revised code references the school foundation program, which relates to a school district's general fund.

The District adopted a resolution in 1996 (resolution number 96-061) "to put all interest earned into the Permanent Improvement Fund effective July 1, 1996." This resolution is in conflict with the above Revised Code section, which essentially requires any interest earned on the General Fund balance to be posted to the General Fund. Presumably, the District has posted nearly all interest earnings to its Permanent Improvement Fund since the adoption of this resolution.

During fiscal year 2013, the District posted all interest earnings to the Permanent Improvement Fund and the Food Service Fund. While posting interest to the Food Service Fund is required under federal guidelines, posting the remaining interest received to the Permanent Improvement Fund is in violation of the Revised Code section noted above. The District should have allocated a portion of its interest earnings to the General Fund based on a ratio of the General Fund balance to total fund balances at the end of each month, or some other reasonable method of interest allocation.

We have not adjusted the financial statements for this error because the District has ensured us that the Board's intent was always to fund the Permanent Improvement Fund with interest earnings. The District has also ensured us that any adjustment would simply be countered by the District with a transfer from the General Fund to the Permanent Improvement Fund in the same amount as any proposed adjustment amount.

The District should revise its policies and procedures to allocate a portion of its monthly interest earnings to the General Fund by utilizing a reasonable allocation method. Failure to do so is in violation of the above Revised Code section and may result in misstated financial statements and possible future findings for adjustment. If it is the Board's wishes for interest earnings to fund the Permanent Improvement Fund, the District should first receipt the earnings in the General Fund and then consider a transfer to move the funds from the General Fund to the Permanent Improvement Fund.

Officials' Response:

We did not receive a response from District officials regarding this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Brookville Local School District
Montgomery County
75 June Place
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 May 21, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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.

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

Dave Yost
Auditor of State

April 15, 2014

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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
MAY 27, 2014**