



Dave Yost • Auditor of State

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

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**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Bellefontaine City School District
Logan County
820 Ludlow Ave
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellefontaine City School District, Logan County (the District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bellefontaine City School District, Logan County, as of June 30, 2010, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

January 24, 2011

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

The management's discussion and analysis of the Bellefontaine City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

In total, net assets increased \$17,054,592.

General receipts accounted for \$37,498,440 or 84 percent of all receipts. Program specific receipts in the form of charges for services and operating and capital grants, contributions and interest accounted for \$6,895,987 or 16 percent of total receipts of \$44,394,427.

The School District's major funds include the General Fund and the Classroom Facilities Fund. The General Fund had \$20,371,022 in receipts, and \$19,536,560 in disbursements. The General Fund's balance increased \$834,462 from the prior fiscal year. The Classroom Facilities Fund had \$15,573,442 in receipts and other financing sources, and \$402,000 in disbursements. The Classroom Facilities Fund's balance increased \$15,171,442 from the prior fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities, both reported on the cash basis, provide information about the activities of the whole School District. Fund financial statements provide a greater 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 School District's most significant funds, with all other non-major funds presented in total in a single column. The General Fund and the Classroom Facilities Fund are the School District's major funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and investments and changes in cash and investments resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and investments. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

The view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations. Inner-governmental receipts and disbursements involving the Internal Service Fund have been eliminated on these government-wide statements. Fiduciary funds are not reflected on the School District's government-wide statements because the resources from these funds are not available to support the School District's programs.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 6. Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statement focus on the School District's most significant funds. The School District's major governmental funds include the General Fund and the Classroom Facilities Fund.

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Proprietary Funds – When the School District charges customers (whether internal or external) for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Net Assets. The School District has one proprietary fund, an Internal Service Fund, accounting for employee health care benefits. Inner-governmental receipts and disbursements have been eliminated on the government-wide statements. The Net Assets of the internal service fund are included with unrestricted net assets on the government-wide statement.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the School District's other financial statements because the resources from these funds are not available to support the School District's programs. These funds use the cash basis of accounting.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and trust programs. This activity is presented as a private purpose trust. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in private purpose trust and agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2010 and 2009.

(Table 1)
Net Assets – Cash Basis

	Governmental Activities	
	2010	2009
Equity in Pooled Cash and Investments	\$25,187,729	\$8,133,137
Restricted for:		
Debt Service	390,019	169,051
Capital Outlay	16,460,116	590,365
Other Purposes	910,687	786,030
Set Asides	737,502	575,599
Unrestricted	6,689,405	6,012,092
Total Net Assets	\$25,187,729	\$8,133,137

Net assets of the governmental activities increased \$17,054,592, which represents a 210 percent increase over fiscal year 2009. The increase is the result of the 2009 School Facilities Construction and Improvement Notes issued in the amount of \$14,580,000 during fiscal year 2010.

A portion of the School District's net assets, \$18,498,324, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$6,689,405 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net assets for fiscal year 2010 as compared to fiscal year 2009.

(Table 2)
Changes in Net Assets – Cash Basis

	Governmental Activities	
	2010	2009
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,954,609	\$1,994,283
Operating Grants, Contributions and Interest	2,948,648	4,280,130
Capital Grants, Contributions, and Interest	1,992,730	85,844

(Continued)

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

**(Table 2)
Changes in Net Assets – Cash Basis
(Continued)**

	Governmental Activities	
	2010	2009
General Receipts:		
Property Taxes	8,146,529	8,166,310
Payments in Lieu of Taxes	53,252	136,515
Grants and Entitlements	14,544,789	12,332,025
Interest	26,573	71,663
Notes Issued	14,580,000	
Premium on Notes Issued	71,005	
Miscellaneous	76,292	68,225
Total Receipts	<u>44,394,427</u>	<u>27,134,995</u>
Disbursements:		
Instruction	15,473,519	14,900,340
Support Services	8,266,760	7,752,182
Non-Instructional	78,135	96,091
Operation of Food Services	1,118,776	1,113,550
Extracurricular Activities	454,361	442,989
Capital Outlay	778,064	1,000
Debt Service	1,170,220	1,128,895
Total Disbursements	<u>27,339,835</u>	<u>25,435,047</u>
Increase in Net Assets	<u>\$17,054,592</u>	<u>\$1,699,948</u>

Governmental Activities

Program receipts accounted for \$6,895,987 or 16 percent of total receipts of \$44,394,427.

The government relies on general receipts to fund the majority of the cost of services provided to the students. Of these general receipts, 21.7 percent (\$8,146,529) comes from tax levies and 38.8 percent (\$14,544,789) is from state and federal funding. The School District's operations are reliant upon its tax levies and the state's foundation program. A significant increase in total receipts is the result of the 2009 School Facilities Construction and Improvement Notes issued in the amount of \$14,580,000 during fiscal year 2010.

The majority of program disbursements for governmental activities are for instruction, which accounts for 56.6 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 30.2 percent of governmental disbursements. The remaining 13.2 percent of the School District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Table 3 shows the cost of program services and the amount of receipts directly offsetting those services for fiscal years 2010 and 2009.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

**(Table 3)
Governmental Activities – Cash Basis**

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$15,473,519	\$12,812,347	\$14,900,340	\$10,988,922
Support Services:				
Pupil and Instructional Staff	2,483,865	1,931,209	1,899,991	1,360,909
Board of Education, Administration, Fiscal and Business	2,508,546	2,384,445	2,370,909	2,250,056
Operation and Maintenance of Plant	2,154,117	2,085,318	2,397,893	2,325,909
Pupil Transportation	691,179	594,531	662,394	602,841
Central	429,053	413,972	420,995	395,504
Non-Instructional	78,135	76,135	96,091	79,091
Operation of Food Services	1,118,776	(74,109)	1,113,550	(189,811)
Extracurricular Activities	454,361	265,510	442,989	265,607
Capital Outlay	778,064	(1,215,730)	1,000	1,000
Debt Service	1,170,220	1,170,220	1,128,895	994,762
Total Disbursements	<u>\$27,339,835</u>	<u>\$20,443,848</u>	<u>\$25,435,047</u>	<u>\$19,074,790</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 82 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts and program receipts are 75 percent and 25 percent, respectively.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District has two major governmental funds: the General Fund and Classroom Facilities Fund. Receipts of the General Fund comprise \$20,371,022 (35.1 percent) of the total \$58,076,994 governmental funds' receipts and other financing sources and \$19,536,560 (47.6 percent) of the total \$41,027,156 governmental funds disbursements and other financing uses. Receipts and other financing sources of the Classroom Facilities Fund comprise \$15,573,442 (26.8 percent) of the total \$58,076,994 governmental funds' receipts and other financing sources and \$402,000 (less than one percent) of the total \$41,027,156 governmental funds disbursements and other financing uses.

General Fund – The General Fund cash balance at June 30, 2010 was \$6,477,120, which represents 26.7 percent of total governmental funds' cash balances for fiscal year 2010. General fund receipts were more than disbursements by \$834,462, mostly due to increases in taxes receipts.

Classroom Facilities Fund – The Classroom Facilities Fund cash balance at June 30, 2010 was \$15,171,442, which represents 62.6 percent of total governmental funds' cash balances for fiscal year 2010. Classroom Facilities Fund receipts were more than disbursements by \$15,171,442, due to the District receiving note proceeds for the construction of two new school buildings.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2010, the School District amended its General Fund budget as needed.

For the General Fund, budget basis, actual receipts were \$20,371,022, which was \$10,205 under the final budget estimates of \$20,381,227. Of this decrease, most was attributable to a decrease from estimated tuition and fees. Actual disbursements were \$19,575,477, which was \$1,720,523 under the final budget estimates of \$21,296,000. Of this decrease, most was attributed to monitored spending of Instruction and Support Services. Actual disbursements for Instruction were \$1,355,859 less than the budgeted amount. Actual disbursements for Support Services were \$326,825 less than budgeted.

Debt Administration

At June 30, 2010, the School District had \$7,511,148 in general obligation bonds for the construction and improvement of buildings. The bonds are retired from the Bond Retirement Fund. The School District also had \$14,580,000 of bond anticipation notes outstanding.

At June 30, 2010, the School District's overall legal debt margin was \$2,598,419, with an un-voted debt margin of \$269,995.

For further information regarding the School District's debt, see Note 8 to the basic financial statements.

Current Issues

Property tax revenue estimates are based on historical collection levels. The School District is realizing an annual decrease in its assessed valuation due to the phase out of tangible property taxes. This is reflected in the figures used for the five year forecast. 2010 was a triennial update year for the School District. The School District is located in Logan County.

The biennial State budget (HB1) covers the State funding cycle July 1, 2009 through June 30, 2011. The effects of HB1 are still being analyzed in the education community. Due to the current economic conditions, the State has used federal education stimulus funds to balance the current biennial budget. The current foundation funding formula has been replaced with the Ohio Evidence Based Model (OEBM). The budget limits school districts with a transitional aid guarantee in FY2010 of 99% of the prior year's funding and 98% of the prior year's funding in FY2011. This budget addresses phantom revenue by phasing down the charge-off from 23 to 20 mills over 3 biennia, starting with 22 mills this biennium.

The budget also indefinitely extends replacement revenue for the loss of Tangible Personal Property (TPP) tax to school districts. Starting with the 2008 fiscal year, a portion of the funding received from the State for lost tangible revenues is received through the State Foundation program. The remaining portion is received via a direct reimbursement from the State. Once tangible reimbursements are discontinued, direct reimbursements will be phased out on an equal reduction schedule. Once completely phased out, the School District stands to lose a little over \$2,000,000 per year in personal tangible taxes unless the State enacts legislation to make the hold harmless payments permanent.

The School District continues to analyze the long-term effects of HB1 and looks for long-range funding solutions.

The Board continues to closely scrutinize expenditures to keep them in line with estimated revenues. Pupil teacher ratios and class sizes will continue to be closely monitored. The result of this analysis will help determine future staffing needs for the School District.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)
(Continued)**

The School District is currently in a decent financial position. However, by no means are we out of the woods when looking down the road. The State is talking about budget cuts in the 2012-2013 budget of anywhere from 0% to 20%. Obviously, a cut of any magnitude will have drastic long-term effects on the financial status of the District. Another major factor that was mentioned above was the loss of tangible property taxes. The State's reimbursement of lost tangible revenues was only extended in the current budget. As of now, the State has not implemented a permanent reimbursement for this revenue loss. The phase out of personal tangible property taxes continues to be a potential funding crisis for all school districts statewide along with adequate State funding through the State Foundation program.

Additionally, district voters approved a 2.8 mill bond issue at the November 3, 2009 election authorizing the School District to partake in an Ohio School Facilities Commission (OSFC) project. Also approved was the 0.5 mill maintenance fund as required by the OSFC. The total project cost is estimated to be \$35,003,787; with the local share being \$13,651,477 and the State share being \$21,352,310. The project includes building two new school buildings. One building will be an elementary building that will house grades kindergarten through second grade. The other building will be a middle school that will house grades six through eight. Once the new middle school is completed, the current middle school will be used to house grades three through five. The School District anticipates breaking ground in spring 2011 with an anticipated completion date of December 2012.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Keith E. Krieger, Treasurer, Bellefontaine City School District, 820 Ludlow Road, Bellefontaine, OH 43311.

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**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$25,187,729
Total Assets	<u>25,187,729</u>
Net Assets:	
Restricted for:	
Debt Service	390,019
Capital Outlay	16,460,116
Other Purposes	910,687
Set Asides	737,502
Unrestricted	6,689,405
Total Net Assets	<u>\$25,187,729</u>

See accompanying notes to the basic financial statements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Cash Receipts			Net(Expense)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions and Interest
Governmental Activities:				
Instruction:				
Regular	\$11,787,721	\$1,270,488	\$180,032	(\$10,337,201)
Special	3,297,142		1,151,685	(2,145,457)
Vocational	388,454	2,476	56,491	(329,487)
Other	202			(202)
Support Services:				
Pupils	1,152,450	9,091		(1,143,359)
Instructional Staff	1,331,415	6,006	537,559	(787,850)
Board of Education	185,653			(185,653)
Administration	1,661,335	5,185	80,512	(1,575,638)
Fiscal	478,490		2,500	(475,990)
Business	183,068		35,904	(147,164)
Operation and Maintenance of Plant	2,154,117		68,799	(2,085,318)
Pupil Transportation	691,179		96,648	(594,531)
Central	429,053	6,650	8,431	(413,972)
Operation of Non-Instructional Services	78,135		2,000	(76,135)
Operation of Food Services	1,118,776	516,139	676,746	74,109
Extracurricular Activities	454,361	138,574	50,277	(265,510)
Capital Outlay	778,064		1,064	\$1,992,730
Debt Service:				
Principal Retirement	347,882			(347,882)
Interest	784,068			(784,068)
Issuance Costs	38,270			(38,270)
Totals	\$27,339,835	\$1,954,609	\$2,948,648	\$1,992,730
				(20,443,848)

General Revenues:

Property and Other Taxes Levied for:

General Purposes	6,701,592
Capital Projects	197,069
Debt Service	1,178,096
Operation and Maintenance	69,772
Grants and Entitlements not Restricted to Specific Programs	14,544,789
Interest	26,573
Notes Issued	14,580,000
Premium on Notes	71,005
Payments in Lieu of Taxes	53,252
Miscellaneous	76,292
Total General Revenues	37,498,440
 Change in Net Assets	 17,054,592
 Net Assets - Beginning of Year	 8,133,137
 Net Assets - End of Year	 \$25,187,729

See accompanying notes to the basic financial statements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS**

JUNE 30, 2010

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Investments	\$5,722,482	\$15,171,442	\$2,572,244	\$23,466,168
Restricted Equity in Pooled Cash and Investments	754,638			754,638
Total Assets	<u><u>6,477,120</u></u>	<u><u>15,171,442</u></u>	<u><u>2,572,244</u></u>	<u><u>24,220,806</u></u>
Fund Balances:				
Reserved for:				
Encumbrances	38,917	747,200	306,714	1,092,831
Textbooks and Instructional Materials	656,809			656,809
Budget Stabilization	80,693			80,693
Bus Purchases	17,136			17,136
Unreserved, Undesignated, Reported in:				
General Fund	5,683,565			5,683,565
Special Revenue Funds			673,893	673,893
Debt Service Funds			390,019	390,019
Capital Projects Funds		14,424,242	1,201,618	15,625,860
Total Fund Balances	<u><u>\$6,477,120</u></u>	<u><u>\$15,171,442</u></u>	<u><u>\$2,572,244</u></u>	<u><u>\$24,220,806</u></u>

See accompanying notes to the basic financial statements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010**

Total Governmental Fund Balances	\$24,220,806
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

The internal service fund was used by management to charge the costs of insurance to individual funds. The assets of the internal Service fund are included in the governmental activities in the statement of net assets.

966,923

Net Assets of Governmental Activities

\$25,187,729

See accompanying notes to the basic financial statements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:				
Taxes	\$5,608,302		\$2,538,228	\$8,146,530
Intergovernmental	13,558,910	\$1,875,000	3,905,345	19,339,255
Interest	26,573	46,965		73,538
Tuition and Fees	953,632		87,638	1,041,270
Rent	124,589			124,589
Extracurricular Activities			221,024	221,024
Customer Sales and Services			516,139	516,139
Donations and Contributions			119,129	119,129
Payments in Lieu of Taxes	53,252			53,252
Miscellaneous	45,764		61,287	107,051
Total Cash Receipts	<u>20,371,022</u>	<u>1,921,965</u>	<u>7,448,790</u>	<u>29,741,777</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	9,513,923		2,276,907	11,790,830
Special	2,141,415		1,155,727	3,297,142
Vocational	384,616		3,838	388,454
Other	201		1	202
Support Services:				
Pupils	1,144,064		8,386	1,152,450
Instructional Staff	764,728		566,687	1,331,415
Board of Education	185,653			185,653
Administration	1,561,831		99,504	1,661,335
Fiscal	410,051		68,439	478,490
Business	183,068			183,068
Operation and Maintenance of Plant	1,975,273		178,844	2,154,117
Pupil Transportation	593,445		97,734	691,179
Central	382,944		46,109	429,053
Operation of Non-Instructional Services	5,000		73,135	78,135
Operation of Food Services	8,368		1,110,408	1,118,776
Extracurricular Activities	281,980		172,381	454,361
Capital Outlay		402,000	376,064	778,064
Debt Service:				
Principal			347,882	347,882
Interest			784,068	784,068
Issuance Costs			38,270	38,270
Total Cash Disbursements	<u>19,536,560</u>	<u>402,000</u>	<u>7,404,384</u>	<u>27,342,944</u>
Revenues Over (Under) Expenditures	<u>834,462</u>	<u>1,519,965</u>	<u>44,406</u>	<u>2,398,833</u>
Other Financing Sources/(Uses):				
Transfers In		13,651,477	32,735	13,684,212
Premium on Notes			71,005	71,005
Notes Issued			14,580,000	14,580,000
Transfers Out			(13,684,212)	(13,684,212)
Total Other Financing Sources and Uses		<u>13,651,477</u>	<u>999,528</u>	<u>14,651,005</u>
Net Change in Fund Balances	834,462	15,171,442	1,043,934	17,049,838
Fund Balances - Beginning of Year	<u>5,642,658</u>		<u>1,528,310</u>	<u>7,170,968</u>
Fund Balances - End of Year	<u>\$6,477,120</u>	<u>\$15,171,442</u>	<u>\$2,572,244</u>	<u>\$24,220,806</u>

See accompanying notes to the basic financial statements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$17,049,838
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Amounts reported for governmental activities in the statement of activities are different because of the following:

Internal service fund charges insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).

4,754

Change in Net Assets of Governmental Activities

\$17,054,592

See accompanying notes to the basic financial statements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Taxes	\$5,429,617	\$5,608,302	\$5,608,302	
Intergovernmental	13,957,697	13,537,505	13,558,910	\$21,405
Interest	72,000	30,000	26,573	(3,427)
Tuition and Fees	959,500	960,682	953,632	(7,050)
Rent	119,000	122,486	124,589	2,103
Payments in Lieu of Taxes	53,252	53,252	53,252	
Miscellaneous	69,000	69,000	45,764	(23,236)
Total Cash Receipts	<u>20,660,066</u>	<u>20,381,227</u>	<u>20,371,022</u>	<u>(10,205)</u>
Disbursements:				
Current:				
Instruction:				
Regular	10,914,466	10,891,109	9,542,295	1,348,814
Special	1,975,711	2,055,447	2,141,465	(86,018)
Vocational	480,686	478,304	385,236	93,068
Other		196	201	(5)
Support Services:				
Pupils	1,085,998	1,102,908	1,144,064	(41,156)
Instructional Staff	933,247	931,397	765,998	165,399
Board of Education	205,337	218,907	189,554	29,353
Administration	1,612,021	1,631,620	1,561,831	69,789
Fiscal	405,003	408,292	410,193	(1,901)
Business	190,647	194,022	183,084	10,938
Operation and Maintenance of Plant	2,143,340	2,133,240	1,978,817	154,423
Pupil Transportation	566,594	576,674	593,445	(16,771)
Central	334,966	340,697	383,946	(43,249)
Operation of Non-Instructional Services	5,000	5,000	5,000	
Operation of Food Services	4,526	5,726	8,368	(2,642)
Extracurricular Activities	322,461	322,461	281,980	40,481
Total Cash Disbursements	<u>21,180,003</u>	<u>21,296,000</u>	<u>19,575,477</u>	<u>1,720,523</u>
Receipts Over (Under) Disbursements	<u>(519,937)</u>	<u>(914,773)</u>	<u>795,545</u>	<u>1,710,318</u>
Other Financing Sources/(Uses):				
Transfers Out	(25,000)	(21,637)		21,637
Other Financing Uses	(25,000)	(63)		63
Total Other Financing Sources and Uses	<u>(50,000)</u>	<u>(21,700)</u>		<u>21,700</u>
Change in Fund Balances	(569,937)	(936,473)	795,545	1,732,018
Fund Balance - Beginning of Year	5,599,396	5,599,396	5,599,396	
Prior Year Encumbrances Appropriated	43,262	43,262	43,262	
Fund Balance at End of Year	<u>\$5,072,721</u>	<u>\$4,706,185</u>	<u>\$6,438,203</u>	<u>\$1,732,018</u>

See accompanying notes to the basic financial statements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
PROPRIETARY FUND
JUNE 30, 2010**

	<u>Governmental Activities</u>
	<u>Internal Service</u>
Assets:	
Equity in Pooled Cash and Investments	\$966,923
Total Assets	<u>966,923</u>
Net Assets:	
Unrestricted	966,923
Total Net Assets	<u>\$966,923</u>

See accompanying notes to the basic financial statements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND NET ASSETS - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR JUNE 30, 2010**

	Governmental Activities
	Internal Service
Operating Receipts	
Charges for Services	\$2,974,514
Operating Disbursements	
Claims	2,527,317
Administration Fees	444,088
Total Operating Disbursements	2,971,405
Operating Income	3,109
Non-Operating Receipts	
Interest	1,645
Change in Net Assets	4,754
Net Assets - Beginning of Year	962,169
Net Assets - End of Year	\$966,923

See accompanying notes to the basic financial statements.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$63,896	\$91,324
Total Assets	63,896	91,324
Net Assets:		
Endowments	34,929	
Held in Trust for:		
Scholarships	28,967	
Student Activities		91,324
Total Net Assets	\$63,896	\$91,324

See accompanying notes to the basic financial statements.

**BELLEFONTANE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$113
Contributions and Donations	<u>1,200</u>
Total Additions	<u>1,313</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>2,200</u>
Change in Net Assets	(887)
Net Assets - Beginning of Year	<u>64,783</u>
Net Assets - End of Year	<u><u>\$63,896</u></u>

See accompanying notes to the basic financial statements.

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**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Bellefontaine City School District (the "School District") is organized under Sections 2 and 3, Article VI of the Constitution of the state of Ohio to provide educational services to the students and other community members of the School District. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the voters of the School District.

The School District serves an area of approximately 31 square miles in Logan County, including all of the City of Bellefontaine, Ohio, and portions of surrounding townships. The School District currently operates three elementary schools, one middle school and one comprehensive high school. The School District is staffed by non-certificated employees and certificated employees to provide services to students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with three jointly governed organizations, one joint venture, and one insurance purchasing pool. These organizations include the Ohio Hi-Point Career Center, State Support Team Region 6, the Logan County Education Foundation, the Joint Recreation School District (Blue Jacket Park) and the Hunter Consulting Company Worker's Compensation Group Rating Plan. These organizations are presented in Notes 10, 11 and 12 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. The School District also reports investments as assets, valued at cost basis.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary disbursements result from encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Proprietary and fiduciary funds are reported by type.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

C. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

General Fund – The General Fund is the primary operating fund of the School District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Classroom Facilities Fund – The Classroom Facilities Fund is used to account for the monies received and expended in connection with contracts entered into by the School District for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The internal service fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the School District, or to other governmental units, on a cost-reimbursement basis. The School District has one proprietary fund, an Internal Service Fund. The internal service fund is used to account for the operation of providing health and dental coverage to the employees of the School District. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The Net Assets of the internal service fund are included with unrestricted net assets on the government-wide statement.

3. Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organization, or other governmental units and are not available to support the School District's own programs. The School District's fiduciary funds include private purpose trust and agency funds.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District's private purpose trust funds account for endowments and programs that provide college scholarships for students after graduation. Agency funds are custodial in nature (cash equals net assets) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities.

D. 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 Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object and function level within all funds are made by the Treasurer.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education 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 receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipt are identified by the School District's Treasurer.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the fund level of disbursements, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year disbursements for governmental funds.

5. 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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2010, investments were limited to STAROhio, repurchase agreements, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal National Mortgage association and money market accounts. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price for which the investment could be sold on June 30, 2010.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2010 were \$26,573, which includes \$19,467 interest assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments". Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as investments.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

G. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

H. Long-term Debt

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported as other financing sources when cash is received and principal and interest payments are reported as disbursements when paid.

I. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant is received.

J. Inventory

The School District reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Equity Classifications

1. Government-Wide Statements

Equity is classified as net assets and is displayed in separate components:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. **Restricted net assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2010, there were no net assets restricted by enabling legislation.

b. **Unrestricted net assets** – All other net assets that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Fund Financial Statements

Governmental fund equity is classified as fund balance. The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, textbooks and instructional materials, budget stabilization and bus purchases.

M. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources to be expended are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements/expenses in the reimbursing fund and a reduction in disbursements/expense in the reimbursed fund.

N. Receipts and Disbursements

1. Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District’s taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, interest, operating and capital grants and contributions.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

O. Implementation of New Accounting Policies

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets,"* GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments,"* and GASB Statement No. 58, *"Accounting and Financial Reporting for Chapter 9 Bankruptcies."*

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

3. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District Treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim monies are 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above; provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 School 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 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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the School District's deposits was \$9,857,621 and the bank balance was \$10,366,702. Of the School District's bank balance, \$8,394,553 was covered by federal depository insurance, leaving \$1,972,149 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent not in the School District's name.

As of June 30, 2010, the School District has \$194 in undeposited cash on hand. This amount is included in equity in pooled cash and investments.

B. Investments

As of June 30, 2010, the School District had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturities</u>		<u>Percentage</u>
		<u>Less than 1 Year</u>	<u>More than 1 year</u>	
Repurchase Agreement	\$ 6,340,090	\$6,340,090		41%
STAROhio	1,197,400	1,197,400		8%
FHLB	2,551,450	250,000	\$2,301,450	16%
FNMA	2,199,214		2,199,214	14%
FHLM	3,000,306		3,000,306	19%
Money Market	196,674	196,674		2%
Total	\$15,485,134	\$7,984,164	\$7,500,970	100%

C. Interest Rate Risk

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

D. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

E. Credit Risk

The School District's investments at June 30, 2010, in STAROhio, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage and money market accounts are all rated AAAM by Standard & Poor's.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. More than 5 percent of the School District's investments are in Repurchase Agreements, STAROhio, Federal Home Loan Band, Federal National Mortgage Association and Federal Home Loan Mortgage. These investments are 41 percent, 8 percent, 16 percent, 14 percent, 19 percent and 2 percent, respectively, of the School District's total investments for the amounts listed above.

4. PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange 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 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 District prior to June 30.

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Logan County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$261,293,770	93%	\$261,918,980	97%
Tangible Personal Property	11,414,200	4%	589,340	0%
Public Utility Personal	7,680,610	3%	7,486,660	3%
Total	\$280,388,580	100%	\$269,994,980	100%
Tax rate per \$1,000 of assessed valuation	\$53.68		\$55.33	

5. RISK MANAGEMENT

A. Public Liability

The School District is exposed to various risks related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles.

Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Health Care Benefits

The School District has established a Self-Insurance Fund in the Internal Service Fund Type to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$75,000 per claim per employee. The School District purchases commercial insurance for claims in excess of coverage provided by this fund and for other risks of loss including annual aggregate stop losses coverage for annual claims paid. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

C. Workers' Compensation

The School District participates in the Hunter Consulting Company Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of the Hunter Consulting Company provides administrative, cost control and actuarial services to the Plan.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. RISK MANAGEMENT (Continued)

D. Self Insurance

The School District is also self-insured for employee health care benefits. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from interfund rates that are charged based on claims approved by the claims administrator. A comparison of Self Insurance Fund cash balance and estimated liability as of June 30 follows:

	<u>2010</u>	<u>2009</u>
Cash	\$966,923	\$962,169
Estimated Liabilities	\$325,961	\$331,051

Estimated liabilities are based on fiscal year paid claims multiplied by a computation factor.

6. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. 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.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB Plan portion of the Combined Plan payment is payable to a member on or after age sixty; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. 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.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. For fiscal year 2010, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to the DBP for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,486,513, \$1,374,300, and \$1,073,364, respectively; 84 percent has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$48,193 made by the School District and \$26,865 made by the plan members.

B. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. 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, 2010, the allocation to pension and death benefits is 12.78 percent. For fiscal year ending June 30, 2009 the allocation 9.09 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. 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 School District's required contribution for obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$358,563, \$233,950, and \$267,436, respectively. The School District has paid all contributions required through June 30, 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. POST EMPLOYMENT BENEFITS

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

A. State Teachers Retirement System

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for post employment health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$114,347, \$105,715 and \$82,566, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009 (the latest information available), the balance in the Fund was \$2.7 billion. For the fiscal year ended June 30, 2008, net health care costs paid by STRS Ohio were \$298,110,000 and STRS Ohio had 129,569 eligible benefit recipients.

B. School Employees Retirement System

Medicare Part B Plan

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care 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 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was 0.76 percent. The School District's contributions for the fiscal years ended June 30, 2010, 2009 and 2008 were \$21,323, \$19,302, and \$18,185, which equaled the required contributions each year.

Health Care Plan

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. POST EMPLOYMENT BENEFITS (Continued)

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 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation was .46 percent. For fiscal year ended June 30, 2009, the healthcare allocation was 4.16 percent. 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 employers shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2010, 2009 and 2008 were \$49,356, \$122,193, and \$105,026, respectively.

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

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

8. DEBT OBLIGATIONS

The following is a description of the School District's bonds outstanding as of June 30, 2010:

	Interest Rate	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amount Due Within One Year
1993 Bond Issue	2.7-4.4%	\$ 264,030		\$ 97,882	\$ 166,148	\$ 88,528
1999 Bond Issue	4.7-4.9%	250,000		250,000		
2005 Bond Issue	5.0-5.5%	7,345,000			7,345,000	265,000
2009 Note	5.0-5.5%		\$14,580,000		14,580,000	14,580,000
Total Debt Obligations		\$7,859,030	\$14,580,000	\$347,882	\$22,091,148	\$14,933,528

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. DEBT OBLIGATIONS (Continued)

1993 Refunding Bond Issue - In December 1993, the School District issued \$4,923,935 in general obligation refunding bonds for the purpose of advance refunding of bonds originally issued in March 1990 that were used for renovating the middle school, furnishing and equipping the same and improving the site thereof, and removing asbestos at various buildings. The refunding bond issue consisted of \$4,000,000 of Current Interest Serial Bonds with interest rates ranging from 2.65 to 4.40 percent and \$923,935 of Capital Appreciation Serial Bonds with stated interest rates ranging from 10.3 to 10.4 percent (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 5.1 percent to 5.6 percent. The bonds will be retired from the Debt Service Fund. The source of payment is derived from current 2.70 mill and current 2.60 mill bonded debt tax levies.

The Current Interest Serial Bonds have fully matured as of June 30, 2010.

The Capital Appreciation Bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The Capital Appreciation Bonds began maturing in fiscal year 2005 and will mature through fiscal year 2012. The maturity amount of all outstanding capital appreciation bonds totals \$965,000.

The accreted amount for fiscal year 2010 was \$60,364, and the amount of the bonds outstanding including accreted interest at June 30, 2010 is \$918,149.

1999 School Facilities Construction and Improvement Bonds - On June 15, 1999, the School District issued \$9,070,000 in voted general obligation bonds for additions and renovations to the High School. The bond issue consisted of \$5,215,000 in serial bonds and \$3,855,000 in term bonds. The serial bonds have interest rates from 3.75 to 5.75 percent and yield rates from 3.75 to 5.3 percent. The bonds will be retired from the Debt Service Fund. The source of payment is derived from current 2.70 mill and current 2.60 mill bonded debt facilities tax levies.

The serial bonds matured on December 1, 2009. The current interest serial and term bonds originally maturing on December 1, 2010 through 2026, have been refunded by the 2005 refunding bonds. On April 1, 2005, the School District issued \$7,475,000 in voted general obligation bonds to provide resources to purchase U.S. Government securities that were placed, along with the premiums received associated with the sale of the bonds in an escrow fund for the purpose of generating resources for future debt service payments of \$7,475,000 of the 1999 School Improvement Bonds. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed. This advance refunding was undertaken to reduce total debt service payments over the next fourteen years by \$388,333 and resulted in an economic gain of \$373,427.

2005 General Obligation Advance Refunding Bonds - In April 2005, the School District issued \$7,475,000 in voted general obligation bonds for the purpose of refunding a portion of the 1999 School Improvement Bonds originally issued for the purpose of additions and renovations to the High School. The refunding bond issue consists of \$3,760,000 in serial bonds and \$3,715,000 in term bonds. The serial bonds have interest rates at 5.0 percent and yield rates from 2.45 to 4.22 percent. Term bonds in the amount of \$1,950,000 have a 5.5 percent interest rate with final maturity on December 1, 2023. Term bonds in the amount of \$1,765,000 have a 5.5 percent interest rate with final maturity on December 1, 2026. The bonds will be retired from the Debt Service Fund. The source of payment is derived from current 2.70 mill and current 2.60 mill bonded debt facilities tax levies.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. DEBT OBLIGATIONS (Continued)

The remaining serial bonds mature each year beginning in 2010 through 2019. Bonds maturing on December 1, 2016, 2017, 2018 and 2019 are subject to redemption at the option of the School District, in whole or in part, in such order as the School District shall determine, on any date on or after December 1, 2015, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption.

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2020 and each December 1 thereafter. The remaining principal amount of such Bonds (\$530,000) will mature at stated maturity on December 1, 2023.

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2024 and 2025. The remaining principal amount of such bonds (\$620,000) will mature at stated maturity on December 1, 2026.

2009 School Facilities Construction and Improvement Notes – In December 2009, the School District issued notes in the amount of \$14,580,000, in anticipation of the issuance of bonds, for the purpose of constructing school facilities and locally funded initiatives under the Classroom Facilities Assistance Program of the Ohio School Facilities Commission, furnishing and equipping the same, improving the sites thereof, and acquiring interests in land as necessary in connection therewith. The interest rate on the note is at 1.00 percent. The maturity date of the note is December 15, 2010. The note will be retired from the Debt Service Fund.

The following is a summary of the School District's future annual debt service requirements to maturity for general obligation bonds:

Fiscal Year Ending June 30,	1993 Bond Issue	2005 Bond Issue	2009 Note	Interest/ Accretion	Total
2011	\$ 88,528	\$ 265,000	\$14,580,000	\$923,637	\$15,857,165
2012	77,620	280,000		762,955	1,120,575
2013		295,000		351,200	646,200
2014		335,000		335,450	670,450
2015		350,000		318,325	668,325
2016-2020		2,105,000		1,308,750	3,413,750
2021-2025		2,505,000		692,038	3,197,038
2026-2027		1,210,000		67,375	1,277,375
Total	<u>\$166,148</u>	<u>\$7,345,000</u>	<u>\$14,580,000</u>	<u>\$4,759,730</u>	<u>\$26,850,878</u>

The School District's overall debt margin was \$2,598,419 with an unvoted debt margin of \$269,995 at June 30, 2010.

9. SET ASIDE REQUIREMENTS

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. For the fiscal year ended June 30, 2010, the reserve activity was as follows:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. SET ASIDE REQUIREMENTS (Continued)

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2009	\$494,906		\$80,693
Current Year Required Set-Aside	451,921	\$ 451,921	
Current Year Offsets		(14,878,364)	
Current Year Qualifying Disbursements	(290,018)	(510,457)	
Total	<u>656,809</u>	<u>(14,936,900)</u>	<u>80,693</u>
Set-aside balance carried forward to FY 2011	<u>\$656,809</u>		<u>\$80,693</u>
Prior Year Offsets carried forward		1,025,285)	
Offset balance carried forward to FY 2011		<u>(\$15,605,285)</u>	

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the Capital Maintenance Reserve. A portion of this extra amount which represents proceeds from bonds, \$15,605,285 may be used to reduce the set-aside requirements for future years. Senate Bill 345 eliminated the requirement to set aside additional for budget stabilization. The reserve for budget stabilization balance represents the set aside required for Bureau of Workers' Compensation refunds.

10. JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Hi-Point Career Center

The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

B. State Support Team Region 6

The State Support Team Region 6 ("SST6") is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SST6 is governed by a board of 52 members made up of the 50 superintendents of the participating School Districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Marlene Graf, Director, at 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Bellefontaine City School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

11. JOINT VENTURE

The Joint Recreation School District (Blue Jacket Park) - The Joint Recreation School District (JRD) was established June 25, 1984. The JRD is operated by a seven member Board consisting of three representatives from both the Bellefontaine City School District and the City of Bellefontaine.

The remaining member is selected by the six appointed Board members. The JRD operates the Blue Jacket Park which is adjacent to the Bellefontaine City School District and for which the School District owns the land. The operating budget for the JRD is passed by the City of Bellefontaine and is submitted to the JRD Board. To obtain financial information write to the City of Bellefontaine, Robert S. Storm, who serves as Auditor, at 135 North Detroit Street, Bellefontaine, Ohio 43311.

12. INSURANCE PURCHASING POOL

The Hunter Consulting Company Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Hunter Consulting Company Workers' Compensation Group Rating Plan (the "Plan") was established through the Hunter Consulting Company as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the Plan.

13. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. INTERFUND TRANSFERS

During fiscal year 2010, the School District made transfers between funds as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
Governmental:		
Classroom Facilities Fund	\$13,651,477	
All Other Governmental Funds	32,735	\$13,684,212
Total Governmental	<u>\$13,684,212</u>	<u>\$13,684,212</u>

The Building Fund transferred \$13,651,477 to the Classroom Facilities Fund and \$32,735 to the Bond Retirement Fund. The School District received money from the Bond Anticipation Notes sale. The money was received in the Building Fund and then transferred to the Classroom Facilities Fund and the note premium was transferred to the Bond Retirement Fund.

15. ACCOUNTABILITY COMPLIANCE

At June 30, 2010, the Other Local Grants Fund had a deficit balance in the amount of \$105,022. The General Fund provides transfers to cover deficit balances; however; this is done when cash is needed. The deficit fund balance was created at June 30, 2010 as a result of late disbursements from the grant authorities.

Ohio Administrative code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

16. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance "Budget and Actual" – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$38,917 for the General Fund.

17. PAYMENTS IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2010 amounted to \$53,252.

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**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Nutrition Cluster:					
Noncash Assistance (Food Distribution)					
National School Lunch Program	10.555		75,108		75,108
Cash Assistance					
National School Lunch Program	10.555	456,934		456,934	
Total National School Lunch Program		456,934	75,108	456,934	75,108
School Breakfast Program	10.553	136,538		136,538	
Total Nutrition Cluster		593,472	75,108	593,472	75,108
Total United States Department of Agriculture		593,472	75,108	593,472	75,108
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster					
Special Education Grants to States	84.027	622,433		632,144	
ARRA - Special Education Grants to States - Recovery Act	84.391	162,011		161,951	
Total Special Education Cluster		784,444		794,095	
Title I, Part A Cluster					
Title 1 Grants to Local Educational Agencies	84.010	822,160		824,963	
ARRA - Title 1 Grants to Local Educational Agencies - Recovery Act	84.389	140,419		136,487	
Total Title 1, Part A Cluster		962,579		961,450	
Education Technology State Grants	84.318	6,654		6,952	
English Language Acquisition Grants	84.365			5,359	
Improving Teacher Quality State Grants	84.367	150,866		151,684	
Safe and Drug-Free Schools and Communities	84.186	12,231		15,515	
Rural Education	84.358	67,547		69,818	
Innovative Education Programs	84.298	565		919	
ARRA - State Fiscal Stabilization Fund (SFSF)					
Education State Grants - Recovery Act	84.394	776,119		765,330	
Total U. S. Department of Education		2,761,005		2,771,122	
Total Federal Financial Assistance		<u>\$3,354,477</u>	<u>\$75,108</u>	<u>\$3,364,594</u>	<u>\$75,108</u>

The accompanying notes to this schedule are an integral part of this schedule.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DONATION

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

At June 30, 2010, the District had no significant food commodities in inventory.

NOTE C – NUTRITION CLUSTER

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.



Dave Yost • Auditor of State

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

Bellefontaine City School District
Logan County
820 Ludlow Ave
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellefontaine City School District, Logan County (the District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 24, 2011, wherein, we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 24, 2011.

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

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



Dave Yost
Auditor of State

January 24, 2011



Dave Yost • Auditor of State

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

Bellefontaine City School District
Logan County
820 Ludlow Ave
Bellefontaine, Ohio 43311

To the Board of Education:

Compliance

We have audited the compliance of the Bellefontaine City School District, Logan County, (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above applicable to each of its major federal programs for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists these instances as Findings 2010-02 and 2010-03.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School 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 compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, described in the accompanying schedule of findings as items 2010-02 and 2010-03. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program 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.

The School District's responses to the findings we identified are described in the accompanying schedule of findings. We did not audit the School's responses and, accordingly, we express no opinion on them.

We also noted other matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 24, 2011.

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



Dave Yost
Auditor of State

January 24, 2011

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA #84.027 and 84.391: Title 1, Part A Cluster CFDA # 84.010 and 84.389: State Fiscal Stabilization Fund CFDA #84.394:
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2010-001

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2010, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its financial statements according to generally accepted accounting principles to include all assets, liabilities, and disclosures to provide a more complete presentation of its financial status.

OFFICIALS' RESPONSE:

See Corrective Action Plan, page 55.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance Citation / Significant Deficiency

Finding Number	2010-002
CFDA Title and Number	CFDA #84.394 - State Fiscal Stabilization Fund (SFSF) – Education State Grants
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 C.F.R. § 80.20(b)(7), states when advances are made by electronic transfer of funds methods, the grantee must make draw-downs as close as possible to the time of making disbursements.

The District received advances by electronic transfer of funds for the State Fiscal Stabilization Funds grant.

In 2010, there were 10 months in which the State Fiscal Stabilization Fund had month ending cash balances ranging from \$10,789 to \$143,567. For 7 of these months, the month ending cash balances were not expended within 30 days.

The District should implement procedures for minimizing the time elapsing between the receipt and disbursement of funds to meet this requirement and reduce the potential loss of future funding.

Finding Number	2010-002 (Continued)
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OFFICIALS' RESPONSE:

See Corrective Action Plan, page 55.

Noncompliance Citation / Significant Deficiency

Finding Number	2010-003
CFDA Title and Number	CFDA #84.027 - Special Education Grants to States
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 C.F.R. § 80.32, requires that a State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. Local governments shall use State laws and procedures for equipment acquired under a sub-grant from a State. The Ohio Department of Education has adopted the general requirements of the agency codification of the A-102 Common Rule and has imposed those requirements on its sub-recipients.

Basically the A-102 Common Rule requires that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value.

The District did not perform a physical inventory of equipment at least once every two years. In addition, in fiscal year 2010, the District did not report a handicap bus purchased for \$79,528 with IDEA-B funds on the equipment records.

The School District should implement procedures to provide training and resources to those responsible for assuring compliance with the requirements of federal grants. Additionally, procedures should be developed and implemented to perform the physical inventory and properly report asset purchases.

OFFICIALS' RESPONSE:

See Corrective Action Plan, page 55.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding Number 2010-001

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FISCAL YEAR ENDED JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-001	<p>Ohio Rev. Code Section 117.38 – Noncompliance Citation</p> <p>Due to the extra costs associated with preparing and filing a GAAP report, the Board of Education has opted to have the District file financial statements formatted similarly to those prescribed by Governmental Accounting Standards Board Statement No. 34, on the basis of cash receipts and cash disbursements, rather than GAAP.</p>	Ongoing	Keith E. Krieger
2010-002	<p>34 CFR 80.20 (b) (7)– State Fiscal Stabilization Fund</p> <p>Even though the Stabilization Funds are federal funds, there are no restrictions on how these funds can be spent. Consequently, some of the expenditures the District moved to this fund source were not due to be expended on a regular monthly basis. The District did expend all of the funds by the end of the fiscal year.</p>	06/30/2011	Keith E. Krieger
2010-003	<p>34 C.F.R. § 80.32</p> <p>The bus purchased with federal funds was inadvertently omitted from being added to the District's inventory. When this was brought to our attention, the bus was added to the District's inventory.</p>	09/10/2010	Keith E. Krieger

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Dave Yost • Auditor of State

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 1, 2011**