

Bellbrook-Sugarcreek Local School District
Greene County
Single Audit
For the Fiscal Year Ended June 30, 2014



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Dave Yost • Auditor of State

Board of Education
Bellbrook-Sugarcreek Local School District
3757 Upper Bellbrook Road
Bellbrook, Ohio 45305

We have reviewed the *Independent Auditor's Report* of the Bellbrook-Sugarcreek Local School District, Greene County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 10, 2015

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Bellbrook-Sugarcreek Local School District
Greene County
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Independent Auditor's Report

Board of Education
Bellbrook-Sugarcreek Local School District
3757 Upper Bellbrook Road
Bellbrook, Ohio 45305

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellbrook-Sugarcreek Local School District, Greene County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bellbrook-Sugarcreek Local School District, Greene County, Ohio, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

December 11, 2014

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014 (Unaudited)

The discussion and analysis of the Bellbrook-Sugarcreek Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

Overall:

- Total net position increased by \$951,628 or 14.4 percent during the year.
- Total assets of governmental activities increased by just over \$300,000, attributed to increases in cash and cash equivalents on hand and property taxes receivables reported at year-end which was partially offset by the decrease in capital assets due to depreciation exceeding additions for the current year.
- Total liabilities decreased by \$1.4 million due predominately to decreases in long-term debt resulting from scheduled debt service payments.
- General revenues accounted for \$27.5 million or 89.8 percent of total revenue. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions account for approximately \$3.1 million or 10.2 percent of total revenues of \$30.6 million.
- The general fund of the School District ended fiscal year 2014 with a fund balance of \$3.8 million, an increase of \$1.6 million when compared to that reported for the prior fiscal year. The continued improvement of the general fund's financial condition is directly attributable to management's efforts to control expenditures as promised to voters during the last property tax levy campaign.

Using the Basic Financial Statements

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. Major funds for the School District include; the general fund (the School District's operating fund), the debt service fund, and the permanent improvement fund.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and 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 2014?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that net position. The change in net position 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 restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Most of the School District's activities are reported as governmental activities. These include, but are not limited to, instruction, support services, operation of non-instructional services, and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial statements provide detailed information about the General, Debt Service, and Permanent Improvement Funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds, and therefore only the major funds are presented separate from the other governmental funds.

Governmental Funds

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position at June 30, 2014 compared to one year prior:

TABLE 1
NET POSITION

	<u>2014</u>	<u>2013</u>
<i>Assets</i>		
Current and Other Assets	\$ 25,299,975	\$ 22,887,019
Capital Assets, Net	<u>45,762,315</u>	<u>47,872,735</u>
Total Assets	71,062,290	70,759,754
<i>Deferred Outflows of Resources:</i>		
Deferred Charge on Refunding	<u>794,611</u>	<u>888,497</u>
Total Deferred Outflows of Resources	794,611	888,497
<i>Liabilities:</i>		
Long-term Liabilities	44,765,279	46,205,326
Other Liabilities	<u>2,952,853</u>	<u>2,872,359</u>
Total Liabilities	47,718,132	49,077,685
<i>Deferred Inflows of Resources:</i>		
Deferred Charge on Refunding	<u>16,563,871</u>	<u>15,947,296</u>
Total Deferred Inflows of Resources	16,563,871	15,947,296
<i>Net Position:</i>		
Investment in Net Capital Assets	4,537,951	5,312,159
Restricted	667,390	606,732
Unrestricted (Deficit)	<u>2,369,557</u>	<u>704,379</u>
Total Net Position	<u>\$ 7,574,898</u>	<u>\$ 6,623,270</u>

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2014, the net position of the School District was \$7.6 million. Of that amount, approximately \$4.5 million was the School District's investment in capital assets, net of debt related to those assets. Another \$667,390 was subject to external restrictions upon its use. The remaining unrestricted net position of \$2.4 million is available to management of the School District to allocate in a manner they deem appropriate to meet its operating obligations. The School District continued to report an improved financial condition at the end of fiscal year 2014 as the Board and management make efforts to control discretionary spending to ensure the additional resources provided by the community, through its approval of August 2009 replacement levy, is used appropriately.

Total assets reported at June 30, 2014 increased by just over \$300,000 from those reported one year prior. This increase resulted from cash and cash equivalents at the end of the fiscal year being reported at \$6.6 million, an increase of \$1.6 million over prior year amount, and taxes receivables of \$18.5 million at year-end compared with \$17.7 million the year before. The cash and cash equivalents increased as a result of the management efforts noted above while taxes receivables are based on the County Auditor's estimated of current property values. The \$2.4 million increase explained by the change in these two accounts was partially offset by the \$2.1 million decrease in capital assets as current year depreciation exceeded additions.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Total liabilities decreased by \$1.4 million during the fiscal year; long-term liabilities decreased by \$1.4 million and other liabilities increased by approximately \$80,500. The decrease in long-term liabilities resulted from the scheduled debt service payments on bonds and capital lease obligations made during the fiscal year. The increase in other liabilities resulted from an increase in amounts due to other governmental units at the end of the year compared to the prior year and matured compensated absence for fiscal year 2014 which are reported as current liabilities instead of long-term liabilities.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

TABLE 2
CHANGES IN NET ASSETS

	<u>2014</u>	<u>2013</u>
<i>Revenues:</i>		
Program Revenues:		
Charges in Services & Sales	\$ 1,839,212	\$ 1,690,981
Operating Grants & Contributions	1,173,819	1,227,723
Capital Grants & Contributions	106,305	158,992
General Revenues:		
Property taxes	18,741,604	18,114,874
Grants & Entitlements	8,617,826	8,188,231
Other	<u>120,178</u>	<u>642,736</u>
Total Revenues	<u>30,598,944</u>	<u>30,023,537</u>
<i>Program Expenses:</i>		
Instruction	14,554,151	14,081,222
Support Services:		
Pupils and Instructional Staff	2,075,663	2,495,651
Board of Education, Administration, Fiscal and Business	2,843,521	2,740,995
Plant Operation and Maintenance	2,510,336	2,780,619
Pupil Transportation	1,566,205	1,528,727
Central	76,247	67,968
Operation of Non-Instructional Services	752,161	749,530
Extracurricular Activities	1,413,613	1,335,943
Unallocated Depreciation	1,799,540	1,809,220
Interest and Fiscal Charges	<u>2,055,879</u>	<u>2,087,468</u>
Total Expenses	<u>29,647,316</u>	<u>29,677,343</u>
<i>Change in Net Position</i>	<u>\$ 951,628</u>	<u>\$ 346,194</u>

As shown in Table 2, \$27.5 million, or 89.8 percent, of the School District's total revenue is derived from general revenues, essentially property taxes and state entitlement programs. Overall, total revenue increased nearly \$575,500, or 1.9 percent, compared with fiscal year 2013 amounts. Property tax revenues increased by \$626,730 (3.5 percent), as property values rebounded to some degree, and unrestricted grants and entitlements increased by 5.2 percent (\$429,600) as additional funding was received from the State of Ohio compared with those received in the prior year. The decrease in miscellaneous revenue resulted from fiscal year 2013's amount containing a one-time settlement of \$400,784. Program revenue reported for the current year (\$3.1 million) was consistent with the amounts reported for the prior year.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014 (Unaudited)

Total expenses of the School District decreased by just over \$30,000 from the amount reported in the prior year or 0.1 percent. This decrease follows the \$337,000 decrease in expenses reported in the prior year. Management continued its efforts to minimize any increases in operating costs in fiscal year 2014; nearly \$2.0 million in budget reductions were made prior to fiscal year 2013 to address financial difficulties encountered prior to the passage of the tax levies. After the passage of the tax levies, some of the budget reductions were reinstated, however the majority of the reductions as well as some other cost saving initiatives remained in effect during fiscal year 2014. Some expenses previously reported as pupil support services were reclassified to instructional coding for the current year. The decrease in expenses reported for plant operation and maintenance function related to the significant expenses the School District reported in fiscal years 2013 and 2012 related to property repairs as a result of the hail storm in May 2011.

Some of the School District's activities are financed through user charges, tuition and fees, and/or specific grants or contributions. These revenue sources are defined as program revenues, and the statement of activities shows these revenues in conjunction with the expenses of the School District to present the net cost of each function reported by the School District; that is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Table 3 shows the net cost of service reported for fiscal year 2014 compared with those reported for fiscal year 2013.

TABLE 3
NET COST OF SERVICE

	<u>2014</u>	<u>2013</u>
Instruction	\$ 13,190,695	\$ 12,957,206
Support Services:		
Pupils and Instructional Staff	1,986,486	2,260,980
Board of Education, Administration, Fiscal and Business	2,821,526	2,740,995
Plant Operation and Maintenance	2,460,241	2,706,714
Pupil Transportation	1,505,587	1,528,727
Central	76,247	67,968
Operation of Non-Instructional Services	65,685	(15,232)
Extracurricular Activities	566,094	455,601
Unallocated Depreciation	1,799,540	1,809,220
Interest and Fiscal Charges	2,055,879	2,087,468
Total Net Cost of Service	<u>\$ 26,527,980</u>	<u>\$ 26,599,647</u>

In fiscal year 2014, 89.5 percent of the School District's expenses were financed through property taxes and state foundation revenues (general revenues); virtually identical to the percentage reported for the prior year. In fiscal year 2014, the School District had program revenues totaling \$3.1 million, an increase of \$41,640 from those reported for the prior fiscal year, due to additional charges for services being reported for pupil and tutor programs as well as transportation services provided. It is apparent the School District relies on general revenues, primarily property taxes and state foundation payments, to fund the vast majority of its operating activities. Property tax and unrestricted intergovernmental revenues comprised 61.2 percent and 28.2 percent, respectively, of total School District revenues received for the year.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014 (Unaudited)

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$30.6 million and expenditures of \$32.8 million. The net increase in total governmental fund balance of \$1.7 million resulted in an overall fund balance of \$5.9 million for the governmental funds; \$2.0 million of which is restricted for various purposes including debt service, capital improvements, student activities, state and federal educational grant programs, and other purposes.

The School District's general fund, the primary operating fund, ended fiscal year 2014 with an unassigned fund balance of \$3.5 million; an increase of over \$1.7 million from the unassigned fund balance reported one year prior. Overall, the revenues of the general fund were \$1.1 million more than those reported for the prior year primarily due to increase in property tax and unrestricted intergovernmental revenues reported for the year. Despite the 4.5 percent increase in revenues, the general fund expenditures for fiscal year 2014 only increased by 0.5 percent over those reported in fiscal year 2013; further demonstrating the efforts to minimize budget increases on an ongoing basis.

The fund balance of the debt service fund decreased by \$91,986 during the year; ending with a fund balance of \$1.4 million. Due to the nature of the bond levy, the revenues and expenditures of the debt service fund will not equal one another in any one particular year, however over the life of the bond issue, the tax receipts and debt service payments should equate to one another.

The permanent improvement fund ended the fiscal year with a fund balance of \$379,777; an increase of \$243,907 from the prior year ending fund balance. The majority of the expenditures reported in the permanent improvement fund were for debt service on the various leases the School District utilized to acquire certain capital assets; some of which fully matured during fiscal year 2013, thereby reducing the required debt service payments.

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.

For the General Fund, budget basis actual revenue was \$24.1 million as compared to the original budget estimates of \$23.5 million. The School District did increase the revenue expectation for the year as it became apparent property taxes and intergovernmental revenues would come in higher than what was originally anticipated. Actual revenue exceeded final revenue estimates by \$48,606 as the higher than expected property taxes and intergovernmental revenues were offset by lower than expected tuition, fees and miscellaneous revenues.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$23.0 million, which was \$723,707 (3.0 percent) less than what was budgeted prior to the start of the fiscal year. The increases in the anticipated budgeted expenditure during the year for regular instruction were associated with instructional program changes anticipated to take place during the year. Various budgetary amendments during the year increased the School District's budgeted expenditures by 0.8 percent, or \$188,000.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014 (Unaudited)

Capital Assets

At the end of fiscal year 2014, the School District had \$45.8 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles in governmental activities. Table 4 shows fiscal year 2014 balances compared to the 2013 balances. For additional detail on the School District's capital assets readers should review Note 10 to the basic financial statements.

TABLE 4
CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Land	\$ 3,432,055	\$ 3,432,055
Land Improvements	5,234,596	5,234,596
Buildings and Improvements	58,903,679	58,903,679
Furniture and Equipment	1,724,609	1,674,624
Vehicles	2,402,551	2,405,339
Less: Accumulated Depreciation	<u>(25,935,175)</u>	<u>(23,777,558)</u>
Total Capital Assets	<u>\$ 45,762,315</u>	<u>\$ 47,872,735</u>

Overall, net capital assets decreased by \$2.1 million compared to the fiscal year 2013 amount. The decrease in capital assets results from the amount of depreciation being charged for the fiscal year exceeding the amount of new capital assets reported the fiscal year.

During fiscal year 2014, the School District had no significant capital asset additions; however the purchase of a vehicle and copying equipment resulted in \$74,513 of additions to capital assets. Depreciation expense reported for fiscal year 2014 was \$2.2 million.

Cost associated with repair and maintenance of the School District's facilities and other assets that do not extend the useful life of the capitalized item, is included within the plant operation and maintenance function.

Debt Administration

At June 30, 2014, the School District had a total of two general obligation bond issues outstanding with outstanding principal of \$38.0 million, of which \$1.7 million is due within one year.

During the year, the School District issued \$3.7 million to execute a current refunding of debt previously issued to save on future debt service. In total, at the end of fiscal year 2014, the School District had \$44.8 million of outstanding long-term obligations; \$39.7 million related to general obligation bonds (including unamortized premiums); \$1.5 million related to compensated absences (severance payments); and \$3.6 million of capital lease obligations. During the year, principal payments made on general obligation bonds and capital lease obligations totaled \$5.4 million, including the \$3.7 million of 2003 bonds which retired as a result of the current year refunding.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Notes 14 and 15 to the basic financial statements.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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 show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Bellbrook-Sugarcreek Local School District, 3757 Upper Bellbrook Road, Bellbrook, OH 45305 or call (937) 848-4800.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash, cash equivalents, and investments	\$ 6,599,626
Cash and cash equivalents with fiscal agents	11,027
Receivables:	
Accounts	92,326
Intergovernmental	98,477
Property and other taxes	18,498,519
Capital Assets:	
Non-depreciable	3,432,055
Depreciable, net of accumulated depreciation	42,330,260
Total Assets	71,062,290
Deferred Outflows of Resources:	
Deferred charge on refunding	794,611
Total Deferred Outflows of Resources	794,611
Liabilities:	
Accounts payable	80,236
Accrued wages and benefits payable	2,120,934
Intergovernmental payable	558,832
Matured compensated absences	47,733
Accrued interest payable	145,118
Long Term Liabilities:	
Due within one year	2,021,195
Due in more than one year	42,744,084
Total Liabilities	47,718,132
Deferred Inflows of Resources:	
Property taxes not levied to finance current fiscal year operations	16,563,871
Total Deferred Inflows of Resources	16,563,871
Net Position:	
Investment in net capital assets	4,537,951
Restricted for:	
Debt service	81,477
Capital projects	370,898
Federal and state grant programs	9,874
Student activities	203,382
Other purposes	1,759
Unrestricted	2,369,557
Total Net Position	\$ 7,574,898

See accompanying notes to the basic financial statements.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities
<i>Governmental Activities:</i>					
<i>Instruction:</i>					
Regular	\$ 10,930,729	\$ 529,867	\$ 23,979	\$ -	\$ (10,376,883)
Special	3,522,839	-	809,610	-	(2,713,229)
Vocational	100,583	-	-	-	(100,583)
<i>Support Services:</i>					
Pupils	1,084,035	29,352	10,382	-	(1,044,301)
Instructional staff	991,628	-	49,443	-	(942,185)
Board of education	80,397	-	-	-	(80,397)
Administration	2,013,674	3,115	18,880	-	(1,991,679)
Fiscal	558,102	-	-	-	(558,102)
Business	191,348	-	-	-	(191,348)
Operation and maintenance of plant	2,510,336	49,745	-	350	(2,460,241)
Pupil transportation	1,566,205	60,618	-	-	(1,505,587)
Central	76,247	-	-	-	(76,247)
Operation of non-instructional services	752,161	513,113	173,363	-	(65,685)
Extracurricular activities	1,413,613	653,402	88,162	105,955	(566,094)
Interest and fiscal charges	2,055,879	-	-	-	(2,055,879)
Unallocated depreciation *	1,799,540	-	-	-	(1,799,540)
Total Governmental Activities	<u>\$ 29,647,316</u>	<u>\$ 1,839,212</u>	<u>\$ 1,173,819</u>	<u>\$ 106,305</u>	<u>(26,527,980)</u>
 <i>General Revenues:</i>					
<i>Property taxes levied for:</i>					
					15,410,247
					2,645,934
					685,423
					8,617,826
					2,262
					117,916
Total General Revenues					<u>27,479,608</u>
Changes in net position					951,628
Net position at beginning of year					<u>6,623,270</u>
Net position at end of year					<u>\$ 7,574,898</u>

* - This amount excludes the depreciation that is included in the direct expense of the various functions.

See accompanying notes to the basic financial statements.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Debt Service	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 4,918,137	\$ 1,159,324	\$ 311,837	\$ 210,328	\$ 6,599,626
Cash and Cash Equivalents:					
With Fiscal Agent	-	-	-	11,027	11,027
Receivables:					
Taxes	15,385,424	2,432,122	680,973	-	18,498,519
Accounts	92,326	-	-	-	92,326
Intergovernmental	93,225	-	-	5,252	98,477
Total Assets	<u>\$ 20,489,112</u>	<u>\$ 3,591,446</u>	<u>\$ 992,810</u>	<u>\$ 226,607</u>	<u>\$ 25,299,975</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 78,404	\$ -	\$ 1,269	\$ 563	\$ 80,236
Accrued Wages and Benefits	2,120,934	-	-	-	2,120,934
Intergovernmental Payable	558,832	-	-	-	558,832
Matured Compensated Absences Payable	47,733	-	-	-	47,733
Total Liabilities	<u>2,805,903</u>	<u>-</u>	<u>1,269</u>	<u>563</u>	<u>2,807,735</u>
<u>Deferred Inflows of Resources:</u>					
Property Taxes not Levied to Finance Current Fiscal Year Operations	13,789,100	2,165,529	609,242	-	16,563,871
Unavailable Revenue	56,119	9,372	2,522	-	68,013
Total Deferred Inflows of Resources	<u>13,845,219</u>	<u>2,174,901</u>	<u>611,764</u>	<u>-</u>	<u>16,631,884</u>
<u>Fund Balances:</u>					
Restricted	-	1,416,545	379,777	226,044	2,022,366
Assigned	324,984	-	-	-	324,984
Unassigned	3,513,006	-	-	-	3,513,006
Total Fund Balances	<u>3,837,990</u>	<u>1,416,545</u>	<u>379,777</u>	<u>226,044</u>	<u>5,860,356</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,489,112</u>	<u>\$ 3,591,446</u>	<u>\$ 992,810</u>	<u>\$ 226,607</u>	<u>\$ 25,299,975</u>

See accompanying notes to the basic financial statements.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total Governmental Fund Balances:		\$	5,860,356
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			45,762,315
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable deferred inflows of resources in the balance sheet of governmental funds			
Delinquent property taxes	68,013		
Total	<u>68,013</u>		68,013
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds	(38,036,752)		
Accrued interest payable	(145,118)		
Unamortized bond premium	(1,648,975)		
Deferred charge on refunding	794,611		
Compensated absences	(1,524,552)		
Capital leases obligations	<u>(3,555,000)</u>		
Total			<u>(44,115,786)</u>
Net Position of Governmental Activities		\$	<u><u>7,574,898</u></u>

See accompanying notes to the basic financial statements.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Debt Service	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 15,392,433	\$ 2,643,995	\$ 684,613	\$ -	\$ 18,721,041
Intergovernmental	8,181,398	349,366	87,062	1,153,901	9,771,727
Student Sales	4,242	-	-	514,321	518,563
Interest	55	-	-	2,207	2,262
Tuition and Fees	494,638	-	-	85,364	580,002
Rentals	49,745	-	-	3,075	52,820
Gifts and Donations	17,871	-	105,955	2,397	126,223
Extracurricular Activities	77,181	-	-	347,037	424,218
Miscellaneous	367,170	-	-	12,155	379,325
Total Revenues	24,584,733	2,993,361	877,630	2,120,457	30,576,181
Expenditures:					
Current:					
Instruction:					
Regular	10,884,700	-	-	25,080	10,909,780
Special	2,676,537	-	-	809,610	3,486,147
Vocational	100,583	-	-	-	100,583
Support Services:					
Pupils	1,086,864	-	-	-	1,086,864
Instructional Staff	698,352	-	195,208	60,059	953,619
Board of Education	80,397	-	-	-	80,397
Administration	2,017,126	-	11,990	19,818	2,048,934
Fiscal	500,636	53,284	3,979	-	557,899
Business	89,100	-	-	-	89,100
Plant Operation and Maintenance	2,535,737	-	-	-	2,535,737
Pupil Transportation	1,528,441	-	-	-	1,528,441
Central	73,617	-	-	-	73,617
Non-Instructional Services	3,416	-	-	743,886	747,302
Extracurricular Activities	714,640	-	21,530	528,113	1,264,283
Capital Outlay	-	-	61,447	7,400	68,847
Debt Service:					
Principal Retirement	-	5,270,000	164,000	-	5,434,000
Interest and Fiscal Charges	-	1,581,033	175,569	-	1,756,602
Issuance Costs	-	31,098	-	-	31,098
Total Expenditures	22,990,146	6,935,415	633,723	2,193,966	32,753,250
Excess of Revenues Over (Under)					
Expenditures	1,594,587	(3,942,054)	243,907	(73,509)	(2,177,069)
Other Financing Sources:					
Refunding Bonds Issued	-	3,725,000	-	-	3,725,000
Premium on Refunding Bonds Issued	-	125,068	-	-	125,068
Proceeds from Sale of Assets	2,200	-	-	-	2,200
Total Other Financing Sources	2,200	3,850,068	-	-	3,852,268
Net Change in Fund Balance	1,596,787	(91,986)	243,907	(73,509)	1,675,199
Fund Balance at Beginning of Year	2,241,203	1,508,531	135,870	299,553	4,185,157
Fund Balance at End of Year	\$ 3,837,990	\$ 1,416,545	\$ 379,777	\$ 226,044	\$ 5,860,356

See accompanying notes to the basic financial statements.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds		\$	1,675,199
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following is a summary of the activity associated with capital assets.			
Capital asset additions			74,513
Current year depreciation		(2,184,933)	
Total			(2,110,420)
Long term receivables that do not provide current financial resources are not reported as revenues in the funds.			
Delinquent property taxes		20,563	
Total			20,563
In the statement of activities, certain costs and proceeds associated with the issuance of debt are accrued and amortized over the life of the debt. In governmental funds, these costs and proceeds are recognized as other financing sources and uses of available resources			
Refunding bonds issued		(3,725,000)	
Premium on refunding bonds issued		(125,068)	
Total			(3,850,068)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
Principal payments on general obligation bonds		5,270,000	
Principal payments on capital lease obligations		164,000	
Total			5,434,000
Some expenses reported in the statement of activities, such as compensated absences and various components of the issuance of debt, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Compensated absences payable		50,533	
Accrued interest payable		20,125	
Annual accretion on capital appreciation bonds		(335,584)	
Amortization of bond premium		141,166	
Amortization of deferred charge on refunding		(93,886)	
Total			(217,646)
Change in Net Position of Governmental Activities		\$	<u>951,628</u>

See accompanying notes to the basic financial statements.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 14,988,000	\$ 15,250,000	\$ 15,255,319	\$ 5,319
Intergovernmental	7,834,000	8,118,000	8,181,398	63,398
Interest	1,000	1,000	55	(945)
Tuition and Fees	453,000	468,000	459,806	(8,194)
Rentals	52,000	52,000	49,745	(2,255)
Student Sales	3,000	3,000	3,115	115
Miscellaneous	150,000	150,000	141,168	(8,832)
Total Revenues	<u>23,481,000</u>	<u>24,042,000</u>	<u>24,090,606</u>	<u>48,606</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,391,231	11,391,231	10,900,200	491,031
Special	2,837,246	2,837,246	2,729,622	107,624
Vocational	15,300	15,300	102,335	(87,035)
Support Services:				
Pupils	968,687	1,069,865	1,061,722	8,143
Instructional Staff	692,013	692,013	675,760	16,253
Board of Education	85,776	85,776	84,607	1,169
Administration	1,902,670	1,989,588	1,971,114	18,474
Fiscal	626,833	626,833	503,832	123,001
Business	90,705	90,705	88,688	2,017
Plant Operation and Maintenance	2,917,801	2,917,801	2,697,298	220,503
Pupil Transportation	1,575,279	1,575,279	1,553,625	21,654
Central	76,500	76,500	82,002	(5,502)
Non-Instructional Services	3,000	3,000	3,385	(385)
Extracurricular Activities	554,720	554,720	559,864	(5,144)
Total Expenditures	<u>23,737,761</u>	<u>23,925,857</u>	<u>23,014,054</u>	<u>911,803</u>
Excess of Revenues Under (Under) Expenditures	<u>(256,761)</u>	<u>116,143</u>	<u>1,076,552</u>	<u>960,409</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	107,000	190,000	190,205	205
Proceeds from Sale of Assets	-	-	2,200	2,200
Transfers-In	5,000	58,775	20,000	(38,775)
Transfers-Out	(30,000)	(30,000)	(20,000)	10,000
Total Other Financing Sources (Uses)	<u>82,000</u>	<u>218,775</u>	<u>192,405</u>	<u>(26,370)</u>
Net Change in Fund Balance	(174,761)	334,918	1,268,957	934,039
Fund Balance at Beginning of Year	3,054,997	3,054,997	3,054,997	-
Prior Year Encumbrances Appropriated	<u>190,539</u>	<u>190,539</u>	<u>190,539</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 3,070,775</u>	<u>\$ 3,580,454</u>	<u>\$ 4,514,493</u>	<u>\$ 934,039</u>

See accompanying notes to the basic financial statements.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	Agency Funds
Assets:		
Equity in pooled cash and cash equivalents	\$ 55	\$ 57,935
Cash and Cash Equivalents:		
With Fiscal Agent	489,276	-
Total Assets	489,331	57,935
Liabilities:		
Due to students	-	57,935
Total Liabilities	-	\$ 57,935
Net Position:		
Held in trust for scholarships	489,276	
Total Net Position	\$ 489,276	

See accompanying notes to the basic financial statements.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$ 81,907
Investment Earnings	<u>36,224</u>
Total Additions	<u>118,131</u>
Deductions:	
Payments in accordance with trust agreements	<u>2,000</u>
Total Deductions	<u>2,000</u>
Change in Net Position	116,131
Net Position Beginning of Year	<u>373,145</u>
Net Position End of Year	<u><u>\$ 489,276</u></u>

See accompanying notes to the basic financial statements.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Bellbrook-Sugarcreek Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The first official body designated as the Bellbrook-Sugarcreek Local School District was formed sometime prior to 1930.

The School District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the District's instructional/support facilities staffed by a full-time equivalent staff of 250 FTE employees who provide services to 2,616 students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading.

The primary government consists of all funds and departments, not legally separate from the School District, which provide various services including instruction, student guidance, extracurricular activities, educational media and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education.

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 body 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 for which 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 District is associated with four organizations, which are defined as jointly governed. These organizations include the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Cooperative, the Greene County Career Center, and the Bellbrook/Sugarcreek Education Foundation. These organizations are presented in Note 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

A. Basis Of Presentation

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

Government-Wide Financial Statements

The statement of net position 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 position presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for services from one fund or function to another where the elimination of these payments would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

During the year, the School District segregates transactions related to certain 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 rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major funds:

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the repayment of, the School District's general obligation debt, including the general obligations bonds approved by voters within the School District's boundaries.

Permanent Improvement Fund – The Permanent Improvement Fund is used to account for financial resources, specifically property and other local taxes generated by the District's permanent improvement levy, to be used to maintain the School District's facilities, as well as provide for major equipment and instructional material purchases.

The other governmental funds of the School District account for grants and other resources, and capital projects of the School District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has various funds established to provide scholarships to its students that are classified as private-purpose trust funds. Funds used to account for the activity of the numerous student managed activities within the School District are classified as agency funds.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and liabilities, as well as deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not have a measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed to be both measurable and available: property taxes available as an advance, grants, tuition, and student fees.

The measurement focus of the accrual basis of accounting utilized on the government-wide financial statements and by fiduciary funds recognizes revenues when they are earned, and expenses are recognized at the time they are incurred.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

In governmental fund accounting the measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by the employee. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet may report a separate category for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferral of loss on refunding of debt, which is the difference in the carrying value of the debt being refunded and the price the School District must pay for reacquisition. This amount is deferred and amortized over the shorter of the life of the refunded debt or the debt issued for the refunding.

In addition to liabilities, the statement of net position and balance sheet may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Deferred property taxes represent amounts for which there is a legally enforceable claim as of June 30, 2014, but which were levied to finance subsequent year operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes as of the end of the year. This amount is deferred and recognized as inflows of resources in the period the amounts become available.

F. Budget Data

With the exception of the agency funds, all funds are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board has established the legal level of control at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

G. Cash, Cash Equivalents, and Investments

The School District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund's portion of this pool is displayed in the financial statements as equity in pooled cash, cash equivalents, and investments. The monies are either maintained in a central bank account or used to purchase legal investments.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The Ohio Revised Code authorizes the School District to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio.

The School District has allocated interest according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$55, which includes the General Fund's allocation as well as the allocations of all funds not specified in the Board's resolution.

H. Estimates

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

I. Capital Assets and Depreciation

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net position but are not reported in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	8-13 years

J. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources and uses in governmental funds. Transfers within governmental activities are eliminated on the statement of activities. Reimbursements from one fund to another for particular expenditure(s) are not presented on the financial statements. The School District reported no interfund transfers for fiscal year 2014.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned when both of these conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued using the vesting method which states that the District will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated sick leave for all employees after ten years of current service with the School District.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that has matured (i.e. payable for payment during the current year for employees who have applied for severance payment during the fiscal year, but have not received payment at year-end). These amounts are recorded in the account "matured compensated absences" in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported in the governmental fund statements.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year based on retirement or resignation of staff.

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Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

M. Net position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Investment in net capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. At June 30, 2014 the School District did not have any portion of net position restricted by enabling legislation.

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District’s governing board. Those committed amounts cannot be used for any other purpose unless the governing board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District’s governing board.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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For the Fiscal Year Ended June 30, 2014

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2014, the School District implemented GASB Statement No. 66, *Technical Corrections – 2012*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 66 changes the requirement to account for risk financing (self-insurance) within the general or internal service funds, changes the determination of the carrying value of purchased loans or group of loans, and modified the manner in which service fees should be reported on mortgage loans sold. GASB Statement No. 70 establishes reporting standards for nonexchange financial guarantee and to recognize a liability when qualitative factors and historical data indicate the government will more than likely be required to make a payment on the guarantee. Neither of these statements required the School District to restate any prior fiscal year balances.

In addition, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, has been issued by the GASB but is not required to be implemented by the School District until fiscal year 2015. Management has not yet determined the impact this new standard will have on the School District’s financial statements.

NOTE 4 – FUND BALANCES

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

Fund Balances	General	Bond Retirement	Permanent Improvement	Nonmajor Governmental Funds	Total
Restricted					
Debt Service	\$ -	\$ 1,416,545	\$ -	\$ -	\$ 1,416,545
Capital Improvements	-	-	379,777	11,029	390,806
District Managed Activities	-	-	-	203,382	203,382
Federal and State Grants	-	-	-	9,874	9,874
Food Service Operations	-	-	-	1,759	1,759
Total Restricted	-	1,416,545	379,777	226,044	2,022,366
Assigned					
School Activities	115,223	-	-	-	115,223
Future Purchases	209,761	-	-	-	209,761
Total Assigned	324,984	-	-	-	324,984
Unassigned	3,513,006	-	-	-	3,513,006
Total Fund Balances	\$ 3,837,990	\$ 1,416,545	\$ 379,777	\$ 226,044	\$ 5,860,356

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).
4. For GAAP reporting purposes, certain funds which are budgeted separately from the general fund, are reported as part of the general fund on the GAAP basis.

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

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ 1,596,787
Revenue Accruals	(171,952)
Expenditure Accruals	150,518
Encumbrances	(288,416)
(Excess) or deficit of Funds Combined with General Fund for Reporting Purposes	<u>(17,980)</u>
Budget Basis	<u>\$ 1,268,957</u>

NOTE 6 – CASH AND CASH EQUIVALENTS

State statutes require the classification of monies held by the School District into three categories.

Active Monies – Those monies required to be kept in “cash” or “near-cash” accounts for the immediate use of the district. Such monies must be maintained either as cash in the treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

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

Cash on Hand

At fiscal year end, the School District had \$2,900 in undeposited cash on hand which is included on the basic financial statements of the School District as part of “equity in pooled cash, cash equivalents, and investments”.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the School District’s deposits may not be returned to it. Protection of the School District’s deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the School District’s deposits was \$7,155,019 and the bank balance was \$6,933,964, excluding deposits held by outside fiscal agent. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$6,683,964 was not exposed to custodial risk because it was secured by collateral pools of U.S. government and municipal securities established by each respective financial institution for the purpose of pledging a pool of collateral against all public deposits held, as permitted by Ohio law.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014, consisted of current and delinquent property taxes, intergovernmental, and accounts (rent and student fees). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

NOTE 8 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District’s fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received during calendar year 2014 were levied after April 1, 2013 on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property 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 alternative payment dates to be established.

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Public utility property tax revenue received in calendar year 2014 represents collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Greene 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, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes receivable represents real property and public utility property taxes that are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the portion of real property taxes available as an advance at June 30 was levied to finance current year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, it is reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are as follows:

	<u>2014 First Half Collections</u>	<u>2013 Second Half Collections</u>
Agricultural/residential And other real estate	\$ 488,593,660	\$ 487,739,800
Public utility personal	<u>15,669,660</u>	<u>16,649,260</u>
Total	<u>\$ 504,263,320</u>	<u>\$ 504,389,060</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2014 the School District contracted with Selective Insurance Company for building and business property insurance. This policy has a limit of insurance in the amount of \$350 million for property and a \$1,000 deductible. Boiler and Crime are included in the policy. Fleet insurance has a \$1 million limit of liability. General liability insurance is under Selective of South Carolina Insurance Company and has a \$1 million per occurrence and \$3 million aggregate limitation. The Treasurer is bonded separately. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (EPC). The cooperative contracts with Hunter, Inc. to provide administrative and TPA services for the EPC sponsored workers compensation group rating pool. The intent of the pool is to achieve the benefit of a reduced premium for the School District by pooling its claim experience with other districts with similar loss ratios. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays its workers compensation premium to the State based on the rate for the pool rather than its individual rate.

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For the Fiscal Year Ended June 30, 2014

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. Hunter, Inc. provides administrative, cost control and actuarial services to the EPC.

The School District has elected to provide employee medical benefits through Anthem PPO. The board picks up ninety percent of the monthly premium for all employees. Classified employees working less than seven hours a day, and certified employees working less than seven and a half hours a day, pay a prorated share of the monthly premium based on the number of hours worked. Dental benefits are provided through Delta Dental with the Board picking-up the total cost for employees that work seven hours a day or more. The School District provides life insurance to employees through Sun Life.

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>July 1, 2013</u>	Additions	Deletions	Balance <u>June 30, 2014</u>
<i><u>Capital Assets, not being depreciated</u></i>				
Land	\$ 3,432,055	\$ -	\$ -	\$ 3,432,055
Total Non-depreciable Capital Assets	<u>3,432,055</u>	<u>-</u>	<u>-</u>	<u>3,432,055</u>
<i><u>Capital Assets, being depreciated</u></i>				
Land Improvements	5,234,596	-	-	5,234,596
Buildings and Improvements	58,903,679	-	-	58,903,679
Furniture and Equipment	1,674,624	49,985	-	1,724,609
Vehicles	2,405,339	24,528	(27,316)	2,402,551
	<u>68,218,238</u>	<u>74,513</u>	<u>(27,316)</u>	<u>68,265,435</u>
<i><u>Less: Accumulated Depreciation</u></i>				
Land Improvements	(2,002,105)	(229,227)	-	(2,231,332)
Buildings and Improvements	(18,565,827)	(1,741,040)	-	(20,306,867)
Furniture and Equipment	(1,188,436)	(83,868)	-	(1,272,304)
Vehicles	(2,021,190)	(130,798)	27,316	(2,124,672)
	<u>(23,777,558)</u>	<u>(2,184,933) *</u>	<u>27,316</u>	<u>(25,935,175)</u>
Depreciable Capital Assets, Net	<u>44,440,680</u>	<u>(2,110,420)</u>	<u>-</u>	<u>42,330,260</u>
Total Capital Assets, Net	<u>\$ 47,872,735</u>	<u>\$ (2,110,420)</u>	<u>\$ -</u>	<u>\$ 45,762,315</u>

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For the Fiscal Year Ended June 30, 2014

*** - Depreciation expense was charged to governmental functions as follows:**

Instruction:	
Regular	\$ 65,522
Support Services:	
Instructional staff support	600
Administration	8,372
Business	106,745
Operation and maintenance of plant	8,225
Pupil transportation	38,876
Central	2,630
Operation of non-instructional services	4,859
Extracurricular activities	149,564
Unallocated depreciation	1,799,540
Total Depreciation Expense	\$ 2,184,933

Unallocated depreciation is depreciation of the individual school buildings throughout the District which essentially serve all functions/programs, and therefore is not included as a direct expense of any function or program but disclosed as a separate expense.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - 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 contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$486,160, \$470,272 and \$455,012 respectively; 100.0 percent has been contributed for all fiscal years.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

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For the Fiscal Year Ended June 30, 2014

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. 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 portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2014, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary. Employee contributions are scheduled to increase 1 percent for each of the next three fiscal years until the employee rate reaches 14 percent effective July 1, 2016. At that point, both the employee and the employer contribution rates will be 14 percent, the statutory maximum rates. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,572,852, \$1,494,036, and \$1,545,000 respectively; 100 percent for all fiscal years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or STRS/SERS. As of June 30, 2014, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. Ohio Revised Code (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

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For the Fiscal Year Ended June 30, 2014

health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit, as set forth in 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For the year ended June 30, 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2014, the minimum compensation level was established at \$20,250. 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 District's amount was surcharge amount for fiscal year 2014 was \$50,067.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$54,929, \$50,535, and \$62,892 respectively; 100.0 percent has been contributed for all fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$26,392, \$24,857, and \$23,840 respectively; 100.0 percent has been contributed for all fiscal years.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$112,347, \$106,717, and \$110,358 respectively; 100 percent has been contributed for all fiscal years.

NOTE 13 – OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the District as a whole amounted to \$61,152 at June 30, 2014.

Accumulated Unpaid Sick Leave

District employees may accumulate sick leave. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum of sixty days for certified and classified employees. The total obligation for sick leave accrual for the District as a whole at June 30, 2014 was \$1,511,133.

NOTE 14 - LONG-TERM OBLIGATIONS

Activity of the School District’s long- term obligations at June 30, 2014 was as follows:

	<u>Balance</u> <u>6/30/2013</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2014</u>	<u>Due within</u> <u>One Year</u>
General Obligation Bonds:					
2003 Multi-Purpose Bonds:					
Current Interest 2%-5.25%	\$ 4,350,000	\$ -	\$ (4,350,000)	\$ -	\$ -
Capital Appreciation 4.13%-4.23%	590,315	19,685	(610,000)	-	-
2006 Refunding Bonds:					
Current Interest 3.75%-4.50%	33,165,000	-	(310,000)	32,855,000	325,000
Capital Appreciation 4.03%-4.12%	1,140,853	315,899	-	1,456,752	-
2013 Refunding Bonds:					
Current Interest 2.0%-3.0%	-	3,725,000	-	3,725,000	1,325,000
Unamortized Bond Premium	<u>1,665,073</u>	<u>125,068</u>	<u>(141,166)</u>	<u>1,648,975</u>	<u>-</u>
Total General Obligation Bonds	<u>40,911,241</u>	<u>4,185,652</u>	<u>(5,411,166)</u>	<u>39,685,727</u>	<u>1,650,000</u>
Compensated Absences	1,575,085	154,228	(204,761)	1,524,552	198,195
Capital Lease Obligation	<u>3,719,000</u>	<u>-</u>	<u>(164,000)</u>	<u>3,555,000</u>	<u>173,000</u>
Total Long-Term Obligations	<u>\$ 46,205,326</u>	<u>\$ 4,339,880</u>	<u>\$ (5,779,927)</u>	<u>\$ 44,765,279</u>	<u>\$ 2,021,195</u>

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

General Obligation Bonds

The School District's general obligation bond issues will be paid through the debt service fund from property taxes collected by the County Auditor. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. All General obligation bonds outstanding were issued for the construction of school facilities or to advance refund previously issued school construction bonds. The District issued general obligation debt for the following purposes:

- In December 2013, the School District issued \$3,725,000 of general obligation bonds to finance the repayment of \$3,745,000 of 2003 multi-purpose bonds at the call date of February 3, 2014. This current refunding was undertaken to reduce total debt service payments over the next three fiscal years by \$186,748 and resulted in an economic gain of \$185,723. The 2013 current interest bonds will fully mature on December 31, 2016 and carry an interest rate of 2.0 to 3.0 percent.
- \$34,625,000 of general obligation bonds issued in 2006 to provide resources to advance refund \$34,625,000 of current interest, general obligation bonds issued in 2003. These bonds include current interest and capital appreciation bonds. The capital appreciation bonds will mature in fiscal years 2018, 2019 and 2020. The maturity amount of the capital appreciation bonds is \$4.33 million. For fiscal year 2014, \$315,899 was accreted for a total bond value of \$1,456,752.
- In 2003, nearly \$48 million of general obligation bonds was issued to 1) provide \$43,985,000 for the construction of a new middle school building and 2) advance refund \$4,005,000 of general obligation bonds issued in 1994. These bonds include current interest bonds and capital appreciation bonds; the capital appreciation bonds fully matured during fiscal year 2014. The remaining \$3,745,000 in current interest bonds were called during fiscal year 2014.

Principal and interest requirements to retire the District's long-term general obligation bonds outstanding at June 30, 2014 are as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,650,000	\$ 1,472,250	\$ 3,122,250
2016	1,785,000	1,431,300	3,216,300
2017	1,300,000	1,388,850	2,688,850
2018	582,978	2,149,622	2,732,600
2019	473,904	2,333,696	2,807,600
2020-24	7,829,870	7,332,680	15,162,550
2025-29	13,525,000	3,816,806	17,341,806
2030-32	10,890,000	716,550	11,606,550
Total	<u>\$ 38,036,752</u>	<u>\$ 20,641,754</u>	<u>\$ 58,678,506</u>

Debt Limitations

The School District's voted legal debt margin, as determined under Ohio Revised Code Section was approximately \$8.8 million and the unvoted debt margin was \$504,263 at June 30, 2014.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

Other Long-Term Obligations

Compensated absences represent the long-term portion of the accrued liability associated with sick and vacation leave. These items will be repaid from the funds from which the employees work to whom the liability is associated with or the General Fund if no such funds are available. The capital lease obligations are being repaid with revenues from the permanent improvement capital project fund.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into capital leases to finance the local initiatives related to the school construction and renovation project, renovations of the athletic stadium, as well as the construction of a bus maintenance facility. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments will be reflected as debt service expenditures in the basic financial statements for the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

Fiscal Year Ending June 30,	
2015	\$ 332,511
2016	330,549
2017	331,249
2018	331,542
2019	330,472
2020-24	1,645,064
2025-29	1,037,719
2030-34	478,423
2035-37	<u>286,690</u>
Total Minimum Lease Payments	5,104,219
Less: Amount Representing Interest	<u>(1,549,219)</u>
Present Value of Minimum Lease Payments	<u>\$ 3,555,000</u>

The capital assets acquired by lease agreements have been capitalized in the statement of net position for governmental activities in the amount of \$5,094,639 (\$1,758,180 of buildings and improvements and \$3,336,459 of land improvements), which is equal to the present value of the minimum lease payments at the time of acquisition. The corresponding liability is split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net position for governmental activities. Principal payments in fiscal year 2014 totaled \$164,000.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$72,928 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Cooperative

The School District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools within geographical boundaries as defined by the SOEPC and to serve as a resource to member districts on matters related to business operations. The SOEPC elects one of its members as Chairperson and another as Vice-Chairperson. An Executive Committee is comprised of eleven members who include the Chairperson and Vice-Chairperson and a representative from the Fiscal Agent. Each new member pays an initiation fee in addition to the annual membership fee and other appropriate assessments.

Greene County Career Center

The Greene County 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 seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, 2960 West Enon Road, Xenia, Ohio 45385-9545.

Bellbrook/Sugarcreek Education Foundation

The Bellbrook/Sugarcreek Education Foundation is a community-based, unincorporated, non-profit organization established for the exclusive purposes of promoting the quality of schools and educational programs in the Bellbrook-Sugarcreek Local School District and funding college scholarships for graduates of the Bellbrook-Sugarcreek Local School District. A twelve member Board of Trustees governs the Foundation, consisting of a member of the School Board, a teacher, and ten community members. The Superintendent, Treasurer, and Business Manager of the School District serve as ex-officio (non-voting) members. The Greene County Community Foundation maintains all assets of the Foundation in trust and the Board of Trustees must approve any disbursement of funds.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 17 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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, 2014.

Litigation

The School District is not currently party to any litigation which management deems significant to its financial position.

NOTE 18 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside monies for capital improvements. Amounts not spent by year-end or reduced by offsetting credits must be held in cash at year-end and carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2013	\$ -
Current year set-aside requirement	446,449
Contributions in excess of the current fiscal year set-aside requirements	-
Current year qualifying expenditures	(451,055)
Excess qualified expenditures from prior years	-
Current year offsets	(679,008)
Waiver granted by ODE	-
Qualifying Disbursements	<u>-</u>
Total	<u>\$ (683,614)</u>
Balance Carried Forward to FY 2015	<u>\$ -</u>
Set-aside balance as of June 30, 2014	<u>\$ -</u>

The School District had qualifying disbursements during the year that reduced the set-aside below zero for the capital improvement set-aside.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 19 - COMMITMENTS

Encumbrances

At year end the School District had the following amounts encumbered for future purchase obligations:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 302,849
Permanent Improvement Fund	2,864
Non-major Governmental Funds	<u>56,998</u>
	<u>\$ 362,711</u>

Bellbrook-Sugarcreek Local School District
Greene County
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through the Ohio Department of Education</i>						
State Administrative Expenses for Child Nutrition	N/A	10.560	\$4,868	\$0	\$4,868	\$0
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	12,960	0	12,960	0
National School Lunch Program	3L60	10.555	183,332	39,900	183,332	39,900
Total Child Nutrition Cluster			196,292	39,900	196,292	39,900
Total United States Department of Agriculture			201,160	39,900	201,160	39,900
<u>United States Department of Education</u>						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	468,515	0	468,515	0
Special Education-Preschool Grants	3C50	84.173	15,125	0	15,125	0
Total Special Education Cluster			483,640	0	483,640	0
Title I Grants to Local Educational Agencies	3M00	84.010	378,514	0	341,095	0
State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top						
Incentive Grants, Recovery Act	3FD0	84.395	36,704	0	40,918	0
Improving Teacher Quality State Grants	3Y60	84.367	39,180	0	39,180	0
Total United States Department of Education			938,038	0	904,833	0
Total Federal Financial Assistance			\$1,139,198	\$39,900	\$1,105,993	\$39,900

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Bellbrook-Sugarcreek Local School District
Greene County
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2014

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures includes the federal grant activity of the School District and has been prepared on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Education
Bellbrook-Sugarcreek Local School District
3757 Upper Bellbrook Road
Bellbrook, Ohio 45305

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Bellbrook-Sugarcreek Local School District, Greene County, Ohio (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

December 11, 2014

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

Board of Education
Bellbrook-Sugarcreek Local School District
3757 Upper Bellbrook Road
Bellbrook, Ohio 45305

Report on Compliance for Each Major Federal Program

We have audited Bellbrook-Sugarcreek Local School District's (the School District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2014. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

December 11, 2014

Bellbrook-Sugarcreek Local School District
Greene County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2014

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of financial statement opinion:		Unmodified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?		No
<i>Federal Awards</i>		
Internal control over major program(s):		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:		Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		No
Identification of major program(s):		Special Education Cluster (CFDA #84.027 and #84.173)
Dollar threshold used to distinguish between type A and type B programs:		Type A: >\$300,000 Type B: All Others
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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Dave Yost • Auditor of State

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 24, 2015**