

Bellbrook-Sugarcreek Local School District  
Greene County  
Single Audit  
For the Fiscal Year Ended June 30, 2011



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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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 30, 2011

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**Bellbrook-Sugarcreek Local School District**  
**Greene County**  
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For the Fiscal Year Ended June 30, 2011

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**Independent Auditor's Report**

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

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 (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of June 30, 2011, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bellbrook-Sugarcreek Local School District  
Greene County  
Independent Auditor's Report  
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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 accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As described in Note 3, the School District has implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



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

November 18, 2011

# BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

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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, 2011. 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 2011 are as follows:

#### *Overall:*

- Total net assets increased by approximately \$630,000 or 9.7 percent during the year.
- Total assets of governmental activities increased by nearly \$495,000, attributed primarily to the increases in taxes receivable and cash on hand at June 30, 2011 compared with those one year prior.
- Total liabilities decreased by nearly \$135,000 due predominately to increase in deferred revenue associated with the increase in taxes receivables as of June 30, 2011 that offset the reduction in long-term liabilities which occurred as a result of scheduled debt service payments on outstanding debt obligations.
- General revenues accounted for \$27.6 million or 88.3 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 \$3.6 million or 11.7 percent of total revenues of \$31.2 million.
- The general fund of the School District ended fiscal year 2011 with a fund balance of nearly \$390,000 compared with the \$1.3 million deficit reported for the prior fiscal year. The improved financial condition of the general fund is directly attributable to fiscal year 2011 being the first complete year taxes were collected on a replacement levy passed in August of 2009.

### **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 Assets 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 nonmajor 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, 2011

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**Reporting the School District as a Whole**

*Statement of Net Assets 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 2011?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets 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 after the statement of activities in the financial section of this report. 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 Assets 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, 2011

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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

TABLE 1  
NET ASSETS

	<u>2011</u>	<u>2010</u>
<i>Assets</i>		
Current and Other Assets	\$ 22,879,528	\$ 20,440,023
Capital Assets	<u>52,744,052</u>	<u>54,689,851</u>
Total Assets	75,623,580	75,129,874
<i>Liabilities:</i>		
Long-term Liabilities	48,266,681	49,195,339
Other Liabilities	<u>20,282,734</u>	<u>19,488,613</u>
Total Liabilities	68,549,415	68,683,952
<i>Net Assets:</i>		
Invested in Capital Assets, Net of Debt	6,942,620	7,508,394
Restricted	491,859	652,912
Unrestricted	<u>(360,314)</u>	<u>(1,715,384)</u>
Total Net Assets	<u>\$ 7,074,165</u>	<u>\$ 6,445,922</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2011, the School District's net assets were \$7.1 million. Of that amount, approximately \$6.9 million was invested in capital assets, net of debt related to those assets. Another \$0.5 million was subject to external restrictions upon its use. The remaining unrestricted deficit of \$360,314 was due to the accruals of long-term liabilities for which the School District does not currently have resources to cover. While the deficit has decreased significantly over the past two fiscal years, largely due to budget reductions and a replacement levy, the School District continues to monitor its finances very closely. The most recent financial forecast shows the School District with a positive ending general fund cash balance through the end of fiscal year 2013.

Total assets reported at June 30, 2011 increased by nearly \$495,000 from those reported one year prior. While taxes receivables increased by \$1.1 million due to the approved tax levies and the ending cash balance on hand increased by \$1.4 million as those additional taxes were collected, these increases were offset by the \$2.0 million reduction in the carrying value of the School District's capital assets. The decrease in capital assets was due to current year depreciation of \$2.2 million being significantly more than the \$259,682 of capital asset additions recognized during the fiscal year.

Total liabilities decreased by \$134,537 during the year; long-term liabilities decreased by \$928,658 and other liabilities increased by \$794,121. The decrease in long-term liabilities resulted from the scheduled debt service payments on bonds and capital lease obligations made during the fiscal year which were somewhat offset by the new capital lease obligation entered into by the School District during the current fiscal year. The increase in other liabilities was due predominately to the \$661,855 increase in unearned revenue associated with property taxes levied as of the end of the year, but which are intended to finance future

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011

periods. The increase in property taxes receivables for the fiscal year is described above.

The unrestricted net asset deficit reported at June 30, 2011 decreased by \$1.4 million over that reported one year prior.

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

TABLE 2  
CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
<i>Revenues:</i>		
Program Revenues:		
Charges in Services & Sales	\$ 1,517,841	\$ 1,526,713
Operating Grants & Contributions	1,885,351	1,838,518
Capital Grants & Contributions	246,769	63,989
General Revenues:		
Property taxes	18,601,101	17,916,480
Grants & Entitlements	8,614,984	8,632,686
Other	364,236	289,440
Total Revenues	<u>31,230,282</u>	<u>30,267,826</u>
<i>Program Expenses:</i>		
Instruction	14,702,403	12,582,734
Support Services:		
Pupils and Instructional Staff	2,267,941	3,423,701
Board of Education, Administration, Fiscal and Business	3,141,693	2,965,686
Plant Operation and Maintenance	2,974,508	2,394,367
Pupil Transportation	1,525,914	1,360,191
Central	100,632	48,190
Operation of Non-Instructional Services	715,644	710,268
Extracurricular Activities	1,289,481	1,243,134
Unallocated Depreciation	1,753,891	1,806,254
Interest and Fiscal Charges	2,129,932	2,147,827
Total Expenses	<u>30,602,039</u>	<u>28,682,352</u>
<i>Change in Net Assets</i>	<u>\$ 628,243</u>	<u>\$ 1,585,474</u>

As shown in Table 2, \$27.6 million, or 88.3 percent, of the School District's total revenue is derived from general revenues, essentially property taxes and state entitlement programs. The 3.8 percent increase in property tax revenue reported for the year compared with the prior year is due to the passage of the replacement levies in 2009, of which the School District received approximately one-half of the increase in tax receipts in fiscal year 2010 and the full amount beginning in fiscal year 2011. While the School District continued to benefit from programs funded through the American Reinvestment and Recovery Act (ARRA) during the fiscal year, it is important to note that there were no significant increases noted in other funding sources and that ARRA programs will effectively end as of September 2011.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011

Total expenses of the School District increased by \$1.9 million from the amount reported in the prior year or 6.7 percent. In fiscal year 2010 management reduced its operating budget by nearly \$2.0 million to address financial difficulties encountered prior to the passage of the tax levies. Since these budget reductions were already instituted prior to the additional taxes being collected, it was fiscal year 2011 before some of the budget cuts could be reversed. It should be noted that the vast majority of the budget increases reinstated for fiscal year 2011 were directly associated with the instruction of students.

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 2011 compared with those reported for fiscal year 2010.

TABLE 3  
NET COST OF SERVICE

	<u>2011</u>	<u>2010</u>
Instruction	\$ 12,952,817	\$ 11,258,332
Support Services:		
Pupils and Instructional Staff	1,931,463	2,724,259
Board of Education, Administration, Fiscal and Business	3,141,693	2,965,686
Plant Operation and Maintenance	2,945,297	2,362,890
Pupil Transportation	1,525,914	1,360,191
Central	100,632	48,190
Operation of Non-Instructional Services	28,807	3,210
Extracurricular Activities	441,632	576,293
Unallocated Depreciation	1,753,891	1,806,254
Interest and Fiscal Charges	<u>2,129,932</u>	<u>2,147,827</u>
Total Net Cost of Service	<u>\$ 26,952,078</u>	<u>\$ 25,253,132</u>

In fiscal year 2011, 88.1 percent of the School District's expenses were financed through property taxes and state foundation revenues (general revenues), which is almost exactly the same as the dependence on general revenues reported in the prior year. In fiscal year 2011, the School District had program revenues totaling \$3.6 million, an increase of \$0.2 million from those reported for the prior fiscal year, due almost exclusively to the additional funding received through the ARRA grant programs noted above. Regardless, the School District remains significantly dependent on local revenues to fund its operations.

# BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011

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## **The School District's Funds**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$31.3 million and expenditures of \$29.8 million. The net increase in total governmental fund balance of \$1.7 million resulted in an overall fund balance of \$2.1 million for the governmental funds; \$1.7 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 2011 with a unassigned fund deficit of \$38,305 which is significantly less than the \$2.5 million unrestricted, undesignated deficit reported at June 30, 2010. Overall, the revenues of the general fund increased by \$1.4 million from those reported for the prior year due to the higher tax receipts received through the levies approved in 2009. Total expenditures of the general fund increased by 6.1 percent, or \$1.3 million, over prior year levels as management reversed the budget reductions enacted in the prior year to address the financial difficulties encountered.

The fund balance of the debt service fund increased by \$142,282 during the year; ending with a fund balance of \$1.2 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 in virtually the same financial position as it began the year. The \$20,644 decrease in fund balance resulted in an ending fund balance of \$217,745. 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.

## **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 \$23.6 million as compared to the original budget estimates of \$23.7 million. While anticipated revenue did not change during the year, the actual budget basis revenue was less than two-tenths of one percent of the amount originally anticipated by the School District.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$22.9 million, which was \$490,615 (2.1 percent) less than what was budgeted prior to the start of the fiscal year. The decrease in budgetary expenditures reported for the year resulted from management originally anticipating reinstating additional budgetary cuts made in the previous year however not all of those reductions were actually reinstated by the School District. Various budgetary amendments during the year increased the School District's budgeted expenditures by 4.2 percent or just under \$1.0 million.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011

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**Capital Assets**

At the end of fiscal year 2011, the School District had \$52.7 million invested in land, land improvements, buildings, furniture and equipment, and vehicles in governmental activities. Table 4 shows fiscal year 2011 balances compared to 2010. 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>2011</u>	<u>2010</u>
Land	\$ 3,432,055	\$ 3,432,055
Land Improvements	5,707,616	5,707,616
Buildings and Improvements	58,903,679	58,903,679
Furniture and Equipment	1,799,349	1,568,236
Vehicles	2,734,254	2,729,184
Less: Accumulated Depreciation	<u>(19,832,901)</u>	<u>(17,650,919)</u>
Total Capital Assets	<u>\$ 52,744,052</u>	<u>\$ 54,689,851</u>

Overall, net capital assets decreased by \$1.9 million compared to fiscal year 2010. The decrease in capital assets results from the amount of depreciation being charged against the assets for the fiscal year exceeding the amount of new capital assets reported.

During fiscal year 2011, the School District had significant capital asset additions consisting of various pieces of computer equipment which was financed through a capital lease that totaled \$200,392 as well as the purchase of a new van for \$23,569. The School District disposed of copiers during the year with original cost of \$23,499 but which were fully depreciated at the time of disposal. Depreciation expense reported for fiscal year 2011 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, 2011, the School District had a total of two general obligation bond issues outstanding with outstanding principal of \$41.3 million, of which \$1.3 million is due within one year.

In total, at the end of fiscal year 2011, the School District had \$48.3 million of outstanding long-term obligations; \$42.2 million related to general obligation bonds (including unamortized premiums and charges); \$1.6 million related to compensated absences (severance payments); and \$4.5 million of capital lease obligations. During the year, principal payments made on general obligation bonds and capital lease obligations totaled \$1.6 million. The total long-term obligations anticipated to be retired in the next fiscal year is \$1.9 million.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Notes 15 and 16 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, 2011

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**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 ASSETS  
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash, cash equivalents, and investments	\$ 3,535,832
Cash and cash equivalents with fiscal agents	5,709
Receivables:	
Accounts	65,142
Property and other taxes	18,872,090
Deferred charges	400,755
Capital Assets:	
Non-depreciable	3,432,055
Depreciable, net of accumulated depreciation	49,311,997
Total Assets	75,623,580
Liabilities:	
Accounts payable	103,428
Accrued wages and benefits payable	2,208,814
Intergovernmental payable	639,923
Accrued interest payable	183,149
Matured compensated absences	87,500
Unearned revenue	17,059,920
Long Term Liabilities:	
Due within one year	1,884,523
Due in more than one year	46,382,158
Total Liabilities	68,549,415
Net Assets:	
Invested in capital assets, net of related debt	6,942,620
Restricted for:	
Debt service	227,970
Capital projects	202,212
Other purposes	61,677
Unrestricted	(360,314)
Total Net Assets	\$ 7,074,165

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, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 11,393,360	\$ 432,871	\$ 690,266	\$ -	\$ (10,270,223)
Special	3,297,883	-	626,449	-	(2,671,434)
Vocational	11,160	-	-	-	(11,160)
Support Services:					
Pupils	1,295,256	11,862	135,472	-	(1,147,922)
Instructional staff	972,685	-	189,144	-	(783,541)
Board of education	63,976	-	-	-	(63,976)
Administration	1,981,191	-	-	-	(1,981,191)
Fiscal	900,119	-	-	-	(900,119)
Business	196,407	-	-	-	(196,407)
Operation and maintenance of plant	2,974,508	23,061	-	6,150	(2,945,297)
Pupil transportation	1,525,914	-	-	-	(1,525,914)
Central	100,632	-	-	-	(100,632)
Operation of non-instructional services	715,644	519,875	166,962	-	(28,807)
Extracurricular activities	1,289,481	530,172	77,058	240,619	(441,632)
Interest and fiscal charges	2,129,932	-	-	-	(2,129,932)
Unallocated depreciation *	1,753,891	-	-	-	(1,753,891)
	<u>\$ 30,602,039</u>	<u>\$ 1,517,841</u>	<u>\$ 1,885,351</u>	<u>\$ 246,769</u>	<u>(26,952,078)</u>

*General Revenues:*

Property taxes levied for:	
General purposes	15,216,679
Debt service	2,690,844
Capital outlay	693,578
Grants and entitlements not restricted to specific programs	8,614,984
Investment earnings	4,229
Miscellaneous	360,007

Total General Revenues 27,580,321

Changes in net assets 628,243

Net assets at beginning of year 6,445,922

Net assets at end of year \$ 7,074,165

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

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Debt Service	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 2,026,208	\$ 990,500	\$ 164,512	\$ 354,612	\$ 3,535,832
Cash and Cash Equivalents: With Fiscal Agent	-	-	-	5,709	5,709
Receivables:					
Taxes	15,489,724	2,695,313	687,053	-	18,872,090
Accounts	65,142	-	-	-	65,142
<b>Total Assets</b>	<b>\$ 17,581,074</b>	<b>\$ 3,685,813</b>	<b>\$ 851,565</b>	<b>\$ 360,321</b>	<b>\$ 22,478,773</b>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 69,456	\$ -	\$ 1,644	\$ 32,328	\$ 103,428
Accrued Wages and Benefits	2,164,852	-	-	43,962	2,208,814
Intergovernmental Payable	626,466	-	-	13,457	639,923
Matured Compensated Absences Payable	87,500	-	-	-	87,500
Deferred Revenue	14,244,732	2,466,461	632,176	-	17,343,369
<b>Total Liabilities</b>	<b>17,193,006</b>	<b>2,466,461</b>	<b>633,820</b>	<b>89,747</b>	<b>20,383,034</b>
<u>Fund Balances:</u>					
Restricted	-	1,219,352	217,745	286,330	1,723,427
Committed	331,839	-	-	-	331,839
Assigned	94,534	-	-	-	94,534
Unassigned (Deficit)	(38,305)	-	-	(15,756)	(54,061)
<b>Total Fund Balances</b>	<b>388,068</b>	<b>1,219,352</b>	<b>217,745</b>	<b>270,574</b>	<b>2,095,739</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,581,074</b>	<b>\$ 3,685,813</b>	<b>\$ 851,565</b>	<b>\$ 360,321</b>	<b>\$ 22,478,773</b>

See accompanying notes to the basic financial statements.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011

Total Governmental Fund Balances:		\$	2,095,739
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			52,744,052
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Delinquent property taxes	283,449		
Total	283,449		283,449
Bond issuance costs associated with general obligation bonds payable are recorded as a deferred charge on the accrual basis but are not reported in the funds.			400,755
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.			
G.O. bonds	(41,342,084)		
Accrued interest payable	(183,149)		
Deferred premium on bond issuance	(1,892,786)		
Deferred amount on refunding	1,053,423		
Compensated absences	(1,588,166)		
Capital leases	(4,497,068)		
Total	(48,449,830)		(48,449,830)
Net Assets of Governmental Activities		\$	7,074,165

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, 2011

	General Fund	Debt Service	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 15,264,123	\$ 2,699,634	\$ 695,662	\$ -	\$ 18,659,419
Intergovernmental	8,183,740	347,953	83,291	1,862,645	10,477,629
Student Sales	2,192	-	-	523,404	525,596
Interest	2,276	-	-	1,953	4,229
Tuition and Fees	432,871	-	-	89,540	522,411
Rentals	23,061	-	-	2,550	25,611
Gifts and Donations	6,479	-	240,619	25,946	273,044
Extracurricular Activities	56,589	-	-	343,085	399,674
Miscellaneous	393,396	-	-	8,760	402,156
<b>Total Revenues</b>	<b>24,364,727</b>	<b>3,047,587</b>	<b>1,019,572</b>	<b>2,857,883</b>	<b>31,289,769</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	10,492,849	-	46,012	667,907	11,206,768
Special	2,589,781	-	-	639,275	3,229,056
Vocational	10,860	-	-	300	11,160
<b>Support Services:</b>					
Pupils	1,145,318	-	-	144,758	1,290,076
Instructional Staff	732,365	-	20,014	179,804	932,183
Board of Education	63,976	-	-	-	63,976
Administration	1,920,548	-	19,187	5,999	1,945,734
Fiscal	789,659	43,682	10,771	-	844,112
Business	104,669	-	-	-	104,669
Plant Operation and Maintenance	2,700,801	-	319,044	31,487	3,051,332
Pupil Transportation	1,411,079	-	-	2,700	1,413,779
Central	92,742	-	-	-	92,742
Non-Instructional Services	3,345	-	-	697,880	701,225
Extracurricular Activities	642,146	-	17,929	502,025	1,162,100
Capital Outlay	-	-	200,392	18,427	218,819
<b>Debt Service:</b>					
Principal Retirement	-	1,135,000	414,194	-	1,549,194
Interest and Fiscal Charges	-	1,726,623	209,435	-	1,936,058
<b>Total Expenditures</b>	<b>22,700,138</b>	<b>2,905,305</b>	<b>1,256,978</b>	<b>2,890,562</b>	<b>29,752,983</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	1,664,589	142,282	(237,406)	(32,679)	1,536,786
<b>Other Financing Sources (Uses):</b>					
Inception of Capital Lease	-	-	200,392	-	200,392
Insurance Proceeds	2,400	-	-	-	2,400
Transfers-In	-	-	16,370	-	16,370
Transfers-Out	-	-	-	(16,370)	(16,370)
<b>Total Other Financing Sources (Uses)</b>	<b>2,400</b>	<b>-</b>	<b>216,762</b>	<b>(16,370)</b>	<b>202,792</b>
<b>Net Change in Fund Balance</b>	<b>1,666,989</b>	<b>142,282</b>	<b>(20,644)</b>	<b>(49,049)</b>	<b>1,739,578</b>
<b>Fund Balance at Beginning of Year - restated</b>	<b>(1,278,921)</b>	<b>1,077,070</b>	<b>238,389</b>	<b>319,623</b>	<b>356,161</b>
<b>Fund Balance at End of Year</b>	<b>\$ 388,068</b>	<b>\$ 1,219,352</b>	<b>\$ 217,745</b>	<b>\$ 270,574</b>	<b>\$ 2,095,739</b>

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, 2011

Net Change in Fund Balances - Total Governmental Funds		\$	1,739,578
<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			259,682
Current year depreciation			(2,205,481)
Total			(1,945,799)
Long term receivables that do not provide current financial resources are not reported as revenues in the funds.			
Delinquent property taxes			(58,318)
Intergovernmental grants			(3,569)
Total			(61,887)
In governmental funds, proceeds from the inception of a capital lease is considered to be a source of financing, but in the statement of net assets, the debt obligations are reported as a liability.			
			(200,392)
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 assets.			
Principal payments on G.O. bonds			1,135,000
Principal payments on capital leases			414,194
Total			1,549,194
Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Compensated absences payable			(232,750)
Accrued interest payable			(6,480)
Annual accretion on capital appreciation bonds			(218,617)
Amortization of bond issuance cost			(25,827)
Amortization of bond premium			110,960
Amortization of deferred charge on refunding			(79,737)
Total			(452,451)
Change in Net Assets of Governmental Activities		\$	628,243

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 14,781,000	\$ 14,781,000	\$ 14,844,110	\$ 63,110
Intergovernmental	8,345,600	8,345,600	8,183,740	(161,860)
Interest	1,000	1,000	2,276	1,276
Tuition and Fees	382,000	382,000	438,424	56,424
Rentals	25,000	25,000	23,061	(1,939)
Gifts and Donations	8,000	8,000	7,876	(124)
Miscellaneous	132,000	132,000	133,123	1,123
<b>Total Revenues</b>	<u>23,674,600</u>	<u>23,674,600</u>	<u>23,632,610</u>	<u>(41,990)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	11,478,969	11,478,969	10,525,793	953,176
Special	1,606,797	2,596,681	2,520,886	75,795
Vocational	550	550	10,860	(10,310)
<b>Support Services:</b>				
Pupils	1,965,190	1,965,190	1,187,379	777,811
Instructional Staff	847,745	847,745	747,262	100,483
Board of Education	71,893	71,893	60,820	11,073
Administration	1,891,461	1,891,461	1,921,058	(29,597)
Fiscal	786,490	786,490	826,778	(40,288)
Business	109,500	109,500	109,187	313
Plant Operation and Maintenance	2,683,397	2,683,397	2,864,965	(181,568)
Pupil Transportation	1,306,425	1,306,425	1,449,274	(142,849)
Central	68,578	68,578	107,618	(39,040)
Non-Instructional Services	4,000	4,000	3,385	615
Extracurricular Activities	537,750	537,750	532,865	4,885
<b>Total Expenditures</b>	<u>23,358,745</u>	<u>24,348,629</u>	<u>22,868,130</u>	<u>1,480,499</u>
<b>Excess of Revenues Over(Under)</b>				
Expenditures	<u>315,855</u>	<u>(674,029)</u>	<u>764,480</u>	<u>1,438,509</u>
<b>Other Financing Sources (Uses):</b>				
Insurance Proceeds	30,000	30,000	2,400	(27,600)
Refund of Prior Year Expenditures	5,000	5,000	158,531	153,531
Proceeds from Sale of Assets	10,000	10,000	-	(10,000)
Transfers-In	-	-	16,376	16,376
Transfers-Out	(5,000)	(5,000)	(17,645)	(12,645)
<b>Total Other Financing Sources (Uses)</b>	<u>40,000</u>	<u>40,000</u>	<u>159,662</u>	<u>119,662</u>
<b>Net Change in Fund Balance</b>	355,855	(634,029)	924,142	1,558,171
<b>Fund Balance at Beginning of Year</b>	350,215	350,215	350,215	-
<b>Prior Year Encumbrances Appropriated</b>	<u>283,815</u>	<u>283,815</u>	<u>283,815</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 989,885</u>	<u>\$ 1</u>	<u>\$ 1,558,172</u>	<u>\$ 1,558,171</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	Private Purpose Trust	Agency Funds
Assets:		
Equity in pooled cash and cash equivalents	\$ 137	\$ 56,385
Cash and Cash Equivalents:		
With Fiscal Agent	299,655	-
Total Assets	299,792	56,385
Liabilities:		
Accounts payable	16,500	-
Due to students	-	56,385
Total Liabilities	16,500	\$ 56,385
Net Assets:		
Held in trust for scholarships	283,292	
Total Net Assets	\$ 283,292	

See accompanying notes to the basic financial statements.

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$ 37,745
Investment Earnings	<u>30,018</u>
Total Additions	<u>67,763</u>
Deductions:	
Payments in accordance with trust agreements	<u>34,100</u>
Total Deductions	<u>34,100</u>
Change in Net Assets	33,663
Net Assets Beginning of Year	<u>249,629</u>
Net Assets End of Year	<u><u>\$ 283,292</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, 2011

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### **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 employees who provide services to 2,704 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 18 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, 2011

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### *A. Basis Of Presentation*

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

#### Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the 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, 2011

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### 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 liabilities 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 school improvement bonds previously 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 assets and changes in net assets. 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 and all liabilities associated with the operation of the School District are included on the Statement of Net Assets.

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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### 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 current liabilities generally 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 deferred 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.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as unearned revenue.

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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On governmental fund financial statements, deferred revenue includes the unearned revenue previously mentioned as well as receivables that will not be collected within the available period.

The measurement focus of governmental fund accounting 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.

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.

### ***E. 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 2011.

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.

### ***F. 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.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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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 2011 amounted to \$2,276, which includes the General Fund's allocation as well as the allocations of all funds not specified in the Board's resolution. Interest revenue was also reported in the non-major governmental funds and private purpose trust funds in the amounts of \$1,953, and \$30,018.

***G. 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.

***H. 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 assets 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.

<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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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***I. 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. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statements.

***J. 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.

***K. 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.

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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### *L. Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. At June 30, 2011 the School District had no net assets restricted by enabling legislation.

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

### *M. 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 there 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.

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.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

**N. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, grantors, laws of other governments or imposed by enabling legislation.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2011, the School District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

	General Fund	Non-Major Governmental Funds
	<u>          </u>	<u>          </u>
Fund Balance, June 30, 2010, as previously reported	\$ (1,374,146)	\$ 414,848
Reclassification of funds required by GASB Statement No. 54	<u>95,225</u>	<u>(95,225)</u>
Fund Balance, June 30, 2010, as restated	<u>\$ (1,278,921)</u>	<u>\$ 319,623</u>

**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
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Restricted					
Debt Service	\$ -	\$ 1,219,352	\$ -	\$ -	\$ 1,219,352
Capital Improvements	-	-	217,745	711	218,456
District Managed Activities	-	-	-	223,942	223,942
State Educational Grants	-	-	-	7,464	7,464
Federal Education Grants	-	-	-	54,213	54,213
Total Restricted	<u>-</u>	<u>1,219,352</u>	<u>217,745</u>	<u>286,330</u>	<u>1,723,427</u>
Committed					
Encumbrances	331,839	-	-	-	331,839
Total Committed	<u>331,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,839</u>
Assigned					
School Programs	94,534	-	-	-	94,534
Total Assigned	<u>94,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,534</u>
Unassigned (Deficit)	<u>(38,305)</u>	<u>-</u>	<u>-</u>	<u>(15,756)</u>	<u>(54,061)</u>
Total Fund Balances	<u>\$ 388,068</u>	<u>\$ 1,219,352</u>	<u>\$ 217,745</u>	<u>\$ 270,574</u>	<u>\$ 2,095,739</u>

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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**NOTE 5 – ACCOUNTABILITY AND COMPLIANCE**

At June 30, 2011 the SFSF Grant fund, Title VI-R Grant fund, and the Food Service fund had deficit fund balances of \$10,411, \$1,000 and \$4,345, respectively. These deficits resulted from the accrual of various liabilities. Management expects having necessary resources available when the obligations become due in the subsequent fiscal year. The general fund is liable for any deficit in any other fund and provides operating transfers or advances when cash is required, not when accruals occur.

**NOTE 6 - 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 reservation 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	\$ 1,666,989
Revenue Accruals	(398,084)
Expenditure Accruals	28,053
Encumbrances	(373,507)
Excess (deficit) of Funds Combined with General Fund for Reporting Purposes	<u>691</u>
Budget Basis	<u>\$ 924,142</u>

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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**NOTE 7 – 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.

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 \$3,589,454 and the bank balance was \$3,767,561, excluding deposits held by outside fiscal agent. Of the bank balance, \$260,355 was covered by federal depository insurance and the remaining \$3,507,206 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 8 - RECEIVABLES**

Receivables at June 30, 2011, consisted of current and delinquent property taxes 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.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

**NOTE 9 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State Law at 35 percent of appraised market value. All property is required to be reevaluated every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the prior year. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2010, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years through 2011, the School District was fully reimbursed for the lost revenue. In calendar years 2012-2018, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Bellbrook-Sugar creek Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended June 30, 2011 was \$70.55 per \$1,000 of assessed value. The assessed values upon which the fiscal year 2011 taxes were collected are as follows:

	<u>2011 First Half Collections</u>	<u>2010 Second Half Collections</u>
Agricultural/residential		
And other real estate	\$ 510,016,050	\$ 508,747,040
Public utility personal	13,102,670	12,593,580
General personal property	<u>259,260</u>	<u>498,580</u>
Total	<u>\$ 523,377,980</u>	<u>\$ 521,839,200</u>

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of June 30, 2011. Although total property tax collections for the next year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011 was recognized as revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<i><u>Capital Assets, not being depreciated</u></i>				
Land	\$ 3,432,055	\$ -	\$ -	\$ 3,432,055
<b>Total Non-depreciable Capital Assets</b>	<u>3,432,055</u>	<u>-</u>	<u>-</u>	<u>3,432,055</u>
<i><u>Capital Assets, being depreciated</u></i>				
Land Improvements	5,707,616	-	-	5,707,616
Buildings and Improvements	58,903,679	-	-	58,903,679
Furniture and Equipment	1,568,236	231,113	-	1,799,349
Vehicles	2,729,184	28,569	(23,499)	2,734,254
	<u>68,908,715</u>	<u>259,682</u>	<u>(23,499)</u>	<u>69,144,898</u>
<i><u>Less: Accumulated Depreciation</u></i>				
Land Improvements	(1,337,370)	(206,343)	-	(1,543,713)
Buildings and Improvements	(13,379,235)	(1,695,391)	-	(15,074,626)
Furniture and Equipment	(1,036,715)	(106,315)	-	(1,143,030)
Vehicles	(1,897,599)	(197,432)	23,499	(2,071,532)
	<u>(17,650,919)</u>	<u>(2,205,481) *</u>	<u>23,499</u>	<u>(19,832,901)</u>
<b>Depreciable Capital Assets, Net</b>	<u>51,257,796</u>	<u>(1,945,799)</u>	<u>-</u>	<u>49,311,997</u>
<b>Total Capital Assets, Net</b>	<u>\$ 54,689,851</u>	<u>\$ (1,945,799)</u>	<u>\$ -</u>	<u>\$ 52,744,052</u>

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

Instruction:	
Regular	\$ 80,629
Special	1,392
Support Services:	
Administration	4,772
Business	106,745
Operation and maintenance of plant	1,446
Pupil transportation	113,479
Central	7,890
Operation of non-instructional services	7,856
Extracurricular activities	127,381
Unallocated depreciation	<u>1,753,891</u>
<b>Total Depreciation Expense</b>	<u>\$ 2,205,481</u>

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.

## **BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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### **NOTE 11 - 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 2011 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.

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 12 - 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 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](http://www.ohsers.org) under Employers/Audit Resources.

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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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, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 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, 2011, 2010 and 2009 were \$517,960, \$425,520 and \$441,624 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](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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, 2011, 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 2010, 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, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,567,056, \$1,546,836, and \$1,623,648 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 the School Retirement System. As of June 30, 2011, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 13 – POSTEMPLOYMENT BENEFITS**

***A. School Employee 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. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. 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 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$47,351.

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, 2011, 2010, and 2009 were \$100,257, \$58,630, and \$179,030 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 2011, 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, 2011, 2010, and 2009 were \$28,118, \$23,100, and \$20,819 respectively; 100.0 percent has been contributed for all fiscal years.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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***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](http://www.strsoh.org) or by calling (888) 227-7877.

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 2011, 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, 2011, 2010, and 2009 were \$111,933, \$110,488, and \$115,975 respectively; 100 percent has been contributed for all fiscal years.

**NOTE 14 – 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 \$72,779 at June 30, 2011.

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, 2011 was \$1,602,887.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

**NOTE 15 - LONG-TERM OBLIGATIONS**

Activity of the School District's long-term obligations at June 30, 2011 was as follows:

	Balance 6/30/2010	Increases	Decrease	Balance 6/30/2011	Due within One Year
General Obligation Bonds:					
2003 Multi-Purpose Bonds:					
Current Interest 2%-5.25%	\$ 6,680,000	\$ -	\$ (855,000)	\$ 5,825,000	\$ 960,000
Capital Appreciation 4.13%-4.23%	985,485	66,875	-	1,052,360	-
2006 Refunding Bonds:					
Current Interest 3.75%-4.50%	34,045,000	-	(280,000)	33,765,000	300,000
Capital Appreciation 4.03%-4.12%	547,982	151,742	-	699,724	-
Deferred Amounts:					
Add: Bond Premium	2,003,746	-	(110,960)	1,892,786	-
Less: Deferred Refunding Amount	(1,133,160)	-	79,737	(1,053,423)	-
Total General Obligation Bonds	43,129,053	218,617	(1,166,223)	42,181,447	1,260,000
Compensated Absences	1,355,416	409,419	(176,669)	1,588,166	183,500
Capital Lease Obligation	4,710,870	200,392	(414,194)	4,497,068	441,023
Total Long-Term Obligations	<u>\$ 49,195,339</u>	<u>\$ 828,428</u>	<u>\$ (1,757,086)</u>	<u>\$ 48,266,681</u>	<u>\$ 1,884,523</u>

**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:

- \$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 year 2019, 2020 and 2021. The maturity amount of the capital appreciation bonds is \$4.33 million. For fiscal year 2011, \$151,742 was accreted for a total bond value of \$699,724.
- 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 will mature in fiscal years 2013 and 2014. The maturity amount of the capital appreciation bonds is \$1.2 million. For fiscal year 2011, \$66,875 was accreted for a total bond value of \$1,052,360.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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Principal and interest requirements to retire the District's long-term general obligation bonds outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,260,000	\$ 1,679,904	\$ 2,939,904
2013	1,349,623	1,692,646	3,042,269
2014	1,432,737	1,696,815	3,129,552
2015	1,650,000	1,547,619	3,197,619
2016	1,840,000	1,463,669	3,303,669
2017-21	3,574,724	10,457,923	14,032,647
2022-26	10,610,000	5,368,703	15,978,703
2027-31	15,730,000	2,590,460	18,320,460
2032	<u>3,895,000</u>	<u>82,768</u>	<u>3,977,768</u>
Total	<u>\$ 41,342,084</u>	<u>\$ 26,580,507</u>	<u>\$ 67,922,591</u>

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.

Debt Limitations

The School District's voted legal debt margin, as determined under Ohio Revised Code Section was approximately \$6.6 million and the unvoted debt margin was \$523,378 at June 30, 2011.

**NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2011, the School District entered in a capitalized lease for the purchase of various pieces of computer equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. This lease agreement is reported in the permanent improvement fund as other financing sources, inception of capital lease, as well as a like amount for capital outlay expenditures. Capital lease payments will be reflected as debt service expenditures in the basic financial statements for the governmental funds.

In addition to the lease entered into during fiscal year 2011, the School District entered into capitalized lease agreements to provide financing for the local initiatives related the school construction and renovation project, the purchase of school buses, renovation of the athletic stadium, purchase of computer equipment, as well as the construction of a bus maintenance facility in prior years.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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, 2011.

Fiscal Year Ending June 30,	
2012	\$ 632,075
2013	427,401
2014	426,120
2015	332,511
2016	330,549
2017-21	1,653,465
2022-26	1,457,255
2027-31	756,652
2032-36	477,668
2037	<u>96,119</u>
Total Minimum Lease Payments	6,589,815
Less: Amount Representing Interest	<u>(2,092,747)</u>
Present Value of Minimum Lease Payments	<u>\$ 4,497,068</u>

The capital assets acquired by lease agreements have been capitalized in the statement of net assets for governmental activities in the amount of \$6,728,645 (\$1,758,180 of buildings and improvements, \$3,336,459 of land improvements, \$657,000 of vehicles and \$977,006 of equipment), 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 assets for governmental activities. Principal payments in fiscal year 2011 totaled \$414,194.

**NOTE 17 - INTERFUND ACTIVITY**

During fiscal year 2011, the School District transferred \$16,370 from the Building Non-major governmental fund to the Permanent Improvement Fund. This transfer was made to move the monies remaining from the building renovation project, which has been completed and closed out, to the Permanent Improvement Fund for future capital improvements the School District deems necessary.

**NOTE 18 – 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.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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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 \$73,546 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 govern 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.

**NOTE 19 - 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, 2011.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

Litigation

The School District is not currently party to litigation.

**NOTE 20 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and 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. Excess of offsets and qualifying disbursements over the set-aside requirement during the year for textbooks and other instructional materials may carry forward to the next year to reduce the set-aside requirement of future years.

	<u>Textbooks</u>	<u>Capital Spending</u>	<u>Totals</u>
Set-aside Reserve Balance as of June 30, 2010	\$ (2,730,285)	\$(37,920,162)	\$(40,650,447)
Current Year Set-aside Requirement	411,700	411,700	823,400
Qualifying Disbursements	<u>(594,836)</u>	<u>(700,969)</u>	<u>(1,295,805)</u>
Total	<u>\$ (2,913,421)</u>	<u>\$(38,209,431)</u>	<u>\$(41,122,852)</u>
Balance Carried Forward to FY 2012		<u>\$(37,920,162)</u>	

The School District had qualifying disbursements during the year that reduced the set-aside below zero for capital acquisition. The carryover amount in Capital Spending is limited to the balance of the offsets attributed to bond or tax levy proceeds. Effective July, 1, 2011 the requirement to set-aside monies for the purchase of textbooks and instructional materials was eliminated, however the capital improvement set-aside requirements remains.

**NOTE 21 - 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	\$ 387,059
Permanent Improvement Fund	29,669
Non-major Governmental Funds	<u>123,280</u>
	<u>\$ 540,008</u>

**Bellbrook-Sugarcreek Local School District**  
**Greene County**  
*Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2011*

Federal Grantor/Pass Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>United States Department of Agriculture</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$8,109	\$0	\$8,109	\$0
National School Lunch Program	3L60	10.555	154,516	27,024	154,516	27,024
Total Child Nutrition Cluster			162,625	27,024	162,625	27,024
<b>Total United States Department of Agriculture</b>			162,625	27,024	162,625	27,024
<b><u>United States Department of Education</u></b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	450,672	0	450,672	0
Special Education-Grants to States, Recovery Act	3DJ0	84.391	72,848	0	56,272	0
Special Education-Preschool Grants	3C50	84.173	15,879	0	15,879	0
Total Special Education Cluster			539,399	0	522,823	0
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	179,833	0	179,833	0
Title I Grants to Local Educational Agencies, Recovery Act	3D50	84.389	57,137	0	84,624	0
Total Title I Cluster			236,970	0	264,457	0
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	GRF	84.394	472,853	0	439,300	0
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	26,700	0	24,366	0
Education Jobs Fund	3ET0	84.410	320,326	0	320,326	0
Educational Technology State Grants	3S20	84.318	599	0	599	0
Improving Teacher Quality State Grants	3Y60	84.367	53,145	0	64,015	0
<b>Total United States Department of Education</b>			1,649,992	0	1,635,886	0
<b>Total Federal Financial Assistance</b>			\$1,812,617	\$27,024	\$1,798,511	\$27,024

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, 2011*

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**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. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellbrook-Sugarcreek Local School District, Greene County (the School District) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011, wherein we noted the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

**Internal Control Over Financial Reporting**

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financing reporting. This item is identified as finding 2011-1 in the accompanying schedule of findings and questioned costs. 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.

Bellbrook-Sugarcreek Local School District  
Greene County

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*

Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of 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*.

We noted certain matters that we reported to management of the School District in a separate letter dated November 18, 2011.

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

This report is intended solely for the information and use of management, the Board of Education, others within the School District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

November 18, 2011

**Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited Bellbrook-Sugarcreek Local School District's, Greene County (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 each of the School District's major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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 the 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. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of 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.

Bellbrook-Sugarcreek Local School District  
Greene County

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Page 2

### **Internal Control Over Compliance (Continued)**

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.

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

We noted a certain matter not requiring inclusion in this report that we reported to management of the School District in a separate letter dated November 18, 2011.

This report is intended solely for the information and use of management, the Board of Education, others within the School District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

November 18, 2011

**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, 2011*

**Section I – Summary of Auditor’s Results**

<i>Financial Statements</i>		
Type of financial statement opinion:		Unqualified
Internal control over financial reporting:		
	Material weakness(es) identified?	No
	Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
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:		Unqualified
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):		Education Jobs Fund (CFDA #84.410)  State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394)
Dollar threshold used to distinguish between type A and type B programs:		\$300,000
Auditee qualified as low-risk auditee?		Yes

**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, 2011*

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**Section II – Financial Statement Findings**

**Finding 2011-1**

**Significant Deficiency – Financial Reporting**

A monitoring system by the School District should be in place to prevent or detect misstatements for the accurate presentation of the School District's financial statements. Errors were identified within property tax revenue and the property taxes receivable balance and related deferred revenue. These errors were below tolerable error and therefore did not require adjustment. However, errors were noted to be above more-than-inconsequential thresholds. Cash basis property tax revenue was misposted by the School District. In addition, the School District uses an outside consultant to assist in the preparation of the GAAP-basis financial statements. The consultant utilized improper information in compilation procedures which resulted in the misstatement of balances. The School District should implement additional monitoring procedures over work performed by its consultant and its own employees to ensure financial reports are fairly stated.

**Client Response:**

We will more closely monitor the work of our consultant and will be more careful in posting tax revenues.

**Section III – Federal Award Findings and Questioned Costs**

None

**Bellbrook-Sugarcreek Local School District**

**Greene County**

*Schedule of Prior Audit Findings*

*OMB Circular A-133 Section .315(b)*

*For the Fiscal Year Ended June 30, 2011*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2010-1	Significant deficiency – financial reporting	No	Reissued as finding 2011-1

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

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

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 12, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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



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

November 18, 2011

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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  
JANUARY 12, 2012**