



Dave Yost • Auditor of State

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

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GREENE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Bellbrook-Sugarcreek Local School District
Greene County
3757 Upper Bellbrook Rd
Bellbrook, Ohio 45305

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellbrook-Sugarcreek Local School District, Greene County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bellbrook-Sugarcreek Local School District, Greene County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 1, 2016

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BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015 (Unaudited)

The discussion and analysis of the Bellbrook-Sugarcreek Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

Overall:

- With the implementation of GASB Statement No. 68, total net position increased from a deficit of \$27.7 million at the beginning of the year to a \$27.4 million deficit at the end of the year.
- Total assets of governmental activities increased by nearly \$1.7 million, attributed to increases in cash and cash equivalents on hand and property taxes receivables reported at year-end which was partially offset by the decrease in capital assets due to depreciation exceeding additions for the current year.
- Total liabilities decreased by \$5.5 million due predominately to the \$5.9 million decrease in net pension liability reported at year end.
- General revenues accounted for \$27.2 million or 89.3 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 approximately \$3.3 million or 10.7 percent of total revenues of \$30.5 million.
- The general fund of the School District ended fiscal year 2015 with a fund balance of \$3.6 million, a decrease of \$185,139 when compared to that reported for the prior fiscal year. Management continued its efforts to control expenditures during the year as promised to voters during the last property tax levy campaign.

Using the Basic Financial Statements

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. Major funds for the School District include; the general fund (the School District's operating fund), the bond retirement 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, 2015
(Unaudited)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT
Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position at June 30, 2015 compared to one year prior:

TABLE 1
NET POSITION

| | <u>2015</u> | <u>Revised 2014</u> |
|----------------------------------------|------------------------|-------------------------|
| <i>Assets</i> | | |
| Current and Other Assets | \$ 27,482,027 | \$ 25,299,975 |
| Capital Assets, Net | <u>45,269,681</u> | <u>45,762,315</u> |
| Total Assets | 72,751,708 | 71,062,290 |
| <i>Deferred Outflows of Resources:</i> | | |
| Deferred Charge on Refunding Pension | 741,270 | 794,611 |
| | <u>2,340,742</u> | <u>1,961,348</u> |
| Total Deferred Outflows of Resources | 3,082,012 | 2,755,959 |
| <i>Liabilities:</i> | | |
| Current Liabilities | 3,086,832 | 2,952,853 |
| Long-Term Liabilities: | | |
| Net Pension Liabilities | 31,361,584 | 37,269,945 |
| Other Long-Term Liabilities | <u>45,067,097</u> | <u>44,765,279</u> |
| Total Liabilities | 79,515,513 | 84,988,077 |
| <i>Deferred Inflows of Resources:</i> | | |
| Property Taxes | 18,074,889 | 16,563,871 |
| Pension | <u>5,678,865</u> | <u>-</u> |
| Total Deferred Inflows of Resources | 23,753,754 | 16,563,871 |
| <i>Net Position:</i> | | |
| Investment in Net Capital Assets | 4,109,517 | 4,537,951 |
| Restricted | 1,113,957 | 667,390 |
| Unrestricted (Deficit) | <u>(32,659,021)</u> | <u>(32,939,040)</u> |
| Total Net Position | <u>\$ (27,435,547)</u> | <u>\$ (27,733,699)</u> |

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015 (Unaudited)

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from a positive \$7,574,898 to a deficit totaling \$27,733,699.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2015, the net position of the School District was a deficit of \$27.4 million due to the recognition of the School District's proportionate share of the retirement system's net pension liability. At June 30, 2015 the School District did report positive net position related to its investment in capital assets (\$4.1 million) and the portion subject to external restrictions upon its use (\$1.1 million). The remaining deficit of net position of \$32.7 million is reported as unrestricted. Prior to the implementation of GASB 68, the School District reported positive unrestricted net position of \$2.4 million and it is safe to assume it would have again reported a positive unrestricted net position at June 30, 2015 had GASB 68 not been implemented.

Total assets reported at June 30, 2015 increased by approximately \$1.7 million from those reported at the beginning of the year. This increase resulted from cash and cash equivalents at the end of the fiscal year being reported at \$7.7 million, an increase of \$1.1 million over prior year amount, and taxes receivables of \$19.6 million at year-end compared with \$18.5 million the year before. The cash and cash equivalents increased as a result of the management efforts noted above while taxes receivables are based on the County Auditor's estimated of current property values. The \$2.2 million increase explained by the change in these two accounts was partially offset by the \$500,000 decrease in capital assets as current year depreciation exceeded additions and the decrease in intergovernmental receivables reported for this year compared to the prior.

Total liabilities decreased by \$5.5 million during the fiscal year as the net pension reported at the end of the fiscal year was approximately \$5.9 million less than the amount reported at the beginning of the year and the \$1.8 million in principal payments made during the year on debt obligations. The above noted decreases were partially offset by the current year issuance of energy conservation bonds totaling \$1.8 million and \$400,000 of interest accretion during the year.

Table 2 shows the changes in net position for fiscal years 2015 and 2014.

TABLE 2
CHANGES IN NET ASSETS

| | <u>2015</u> | <u>Revised 2014</u> |
|----------------------------------|-------------------|-------------------------|
| <i>Revenues:</i> | | |
| Program Revenues: | | |
| Charges in Services & Sales | \$ 1,961,863 | \$ 1,839,212 |
| Operating Grants & Contributions | 1,170,012 | 1,173,819 |
| Capital Grants & Contributions | 123,968 | 106,305 |
| General Revenues: | | |
| Property taxes | 18,537,430 | 18,741,604 |
| Grants & Entitlements | 8,632,048 | 8,617,826 |
| Other | 36,481 | 120,178 |
| Total Revenues | <u>30,461,802</u> | <u>30,598,944</u> |

(Continued)

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

TABLE 2
CHANGES IN NET ASSETS
(Continued)

| | <u>2015</u> | <u>Revised 2014</u> |
|------------------------------------------------------------|------------------------------|------------------------------|
| <i>Program Expenses:</i> | | |
| Instruction | 15,096,643 | 14,554,151 |
| <i>Support Services:</i> | | |
| Pupils and Instructional Staff | 2,080,691 | 2,075,663 |
| Board of Education, Administration, Fiscal and Business | 2,881,159 | 2,843,521 |
| Plant Operation and Maintenance | 2,549,566 | 2,510,336 |
| Pupil Transportation | 1,457,011 | 1,566,205 |
| Central | 59,366 | 76,247 |
| Operation of Non-Instructional Services | 752,984 | 752,161 |
| Extracurricular Activities | 1,489,466 | 1,413,613 |
| Unallocated Depreciation | 1,794,980 | 1,799,540 |
| Interest and Fiscal Charges | 2,001,784 | 2,055,879 |
| Total Expenses | <u>30,163,650</u> | <u>29,647,316</u> |
| <i>Change in Net Position</i> | 298,152 | 951,628 |
| <i>Beginning Net Position</i> | (27,733,699) | 6,623,270 |
| Restatement to Implement GASB 68 | <u>-</u> | <u>(35,308,597)</u> |
| <i>Ending Net Position</i> | <u><u>\$(27,435,547)</u></u> | <u><u>\$(27,733,699)</u></u> |

(Concluded)

The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, the functional expenses reported for fiscal year 2014, included \$1,961,348 for pension contributions, which was reported using the guidance of GASB Statement No. 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the pension plans. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows and outflow of resources. The required contribution is no longer a component of pension expense under GASB 68. Using the guidance provided by GASB 68, the fiscal year 2015 statements report pension expense totaling \$1,435,983. Consequently, in order to compare fiscal year 2015 total program expenses to those of fiscal year 2014, the following adjustments are needed:

| | |
|-----------------------------------------------------|----------------------------|
| Total FY2015 program expenses under GASB 68 | \$ 30,163,650 |
| Pension expense under GASB 68 | (1,435,983) |
| FY2015 contractually required contributions | <u>2,044,873</u> |
| Adjusted FY2015 program expenses | 30,772,540 |
| Total FY2014 program expenses under GASB 27 | <u>29,647,316</u> |
| Increase in program expenses not related to pension | <u><u>\$ 1,125,224</u></u> |

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

As shown in Table 2, \$27.2 million, or 89.3 percent, of the School District's total revenue is derived from general revenues, essentially property taxes and state entitlement programs. Overall, total revenue decreased slightly by \$137,142, or 0.4 percent, compared with fiscal year 2014 amounts. Property tax revenues decreased by \$204,174 (1.1 percent), as there was a decrease in delinquent taxes recognized as revenue for the year, and unrestricted grants and entitlements increased by 0.2 percent (\$14,222) from funding received from the State of Ohio compared with those received in the prior year. Program revenue reported for the current year (\$3.3 million) was slightly more during fiscal year 2015 as the increase in charges for services (mostly tuition and fees) was more than the decrease reported for operating grants and contributions.

Total expenses of the School District increased by just 1.7 percent (\$516,334) from the amount reported in the prior year. This increase was expected as the School District had a number of years in which total expenses decreased and therefore increases in cost of personnel (wages and benefits) finally exceeded the previously instituted budget cuts in prior years. It is important to note that while total expenses did increase for the year, the vast majority of that increase affected instructional functions which directly affect students and the learning environment.

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 2015 compared with those reported for fiscal year 2014.

TABLE 3
NET COST OF SERVICE

| | <u>2015</u> | <u>2014</u> |
|------------------------------------------------------------|----------------------|----------------------|
| Instruction | \$ 13,681,726 | \$ 13,190,695 |
| Support Services: | | |
| Pupils and Instructional Staff | 2,003,585 | 1,986,486 |
| Board of Education, Administration, Fiscal and Business | 2,873,269 | 2,821,526 |
| Plant Operation and Maintenance | 2,476,792 | 2,460,241 |
| Pupil Transportation | 1,396,380 | 1,505,587 |
| Central | 59,366 | 76,247 |
| Operation of Non-Instructional Services | 18,990 | 65,685 |
| Extracurricular Activities | 600,935 | 566,094 |
| Unallocated Depreciation | 1,794,980 | 1,799,540 |
| Interest and Fiscal Charges | 2,001,784 | 2,055,879 |
| Total Net Cost of Service | <u>\$ 26,907,807</u> | <u>\$ 26,527,980</u> |

In fiscal year 2015, 89.2 percent of the School District's expenses were financed through property taxes and state foundation revenues (general revenues); virtually identical to the percentage reported for the prior year. In fiscal year 2015, the School District had program revenues totaling \$3.3 million, an increase of \$136,507 from those reported for the prior fiscal year, due to increase in tuition and fee revenues; however, this increase was not sufficient to cover the entire increase in expenses reported for the year. The level of costs covered by general revenue makes it apparent the School District is extremely reliant on property taxes and unrestricted intergovernmental funding.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015 (Unaudited)

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$30.2 million and expenditures of \$31.7 million. The net increase in total governmental fund balance of \$337,695 resulted in an overall fund balance of \$6.2 million for the governmental funds; \$2.5 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 2015 with an unassigned fund balance of \$3.2 million; a decrease of \$304,404 from the unassigned fund balance reported one year prior. Overall, the revenues of the general fund were \$517,198 less than those reported for the prior year primarily due to decrease in property tax reported for the year as the revenue bump the School District received from the new levy maximized in the prior year. Despite the decrease in revenue and the slight increase in expenditures reported for the year, the ending fund balance of the general fund only decreased by \$185,139.

The fund balance of the bond retirement fund increased by \$3,099 during the year; thereby maintaining its \$1.4 million ending fund balance. Due to the nature of the bond levy, the revenues and expenditures of the bond retirement fund will not equal one another in any one particular year, however over the life of the bond issue, the tax receipts and debt service payments should equate to one another.

The permanent improvement fund ended the fiscal year with a fund balance of \$950,221; an increase of \$570,444 from the prior year ending fund balance. The majority of this increase is due to the issuance of the energy conservation bonds during the fiscal year.

General Fund Budgeting Highlights

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

For the General Fund, budget basis actual revenue was \$24.3 million as compared to the original budget estimates of \$24.0 million. The School District did not change its revenue expectations during the year. Actual revenue exceeded final revenue estimates by \$337,350 as the actual receipts for property taxes and intergovernmental receipts were slightly higher than the conservative estimates used by management.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$24.0 million, which was \$394,309 (1.6 percent) more than what was budgeted prior to the start of the fiscal year. The increases in the anticipated budgeted expenditure during the year for regular instruction were associated with instructional program changes anticipated to take place during the year. Various budgetary amendments during the year increased the School District's budgeted expenditures by 18.6 percent, or \$4.5 million.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Capital Assets

At the end of fiscal year 2015, the School District had \$45.3 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles in governmental activities. Table 4 shows fiscal year 2015 balances compared to the 2014 balances. For additional detail on the School District's capital assets readers should review Note 10 to the basic financial statements.

TABLE 4
CAPITAL ASSETS

| | <u>2015</u> | <u>2014</u> |
|--------------------------------|----------------------|----------------------|
| Land | \$ 3,432,055 | \$ 3,432,055 |
| Construction in Progress | 1,375,820 | - |
| Land Improvements | 5,255,831 | 5,234,596 |
| Buildings and Improvements | 58,903,679 | 58,903,679 |
| Furniture and Equipment | 1,832,540 | 1,724,609 |
| Vehicles | 2,521,416 | 2,402,551 |
| Less: Accumulated Depreciation | <u>(28,051,660)</u> | <u>(25,935,175)</u> |
| Total Capital Assets | <u>\$ 45,269,681</u> | <u>\$ 45,762,315</u> |

Overall, net capital assets decreased by \$492,634 million compared to the fiscal year 2014 amount. The decrease in capital assets results from the amount of depreciation being charged for the fiscal year exceeding the amount of new capital assets reported the fiscal year.

During fiscal year 2015, the School District reported \$1.4 million of construction in progress additions related to energy conservation improvements and improvements to athletic fields which were still ongoing at year-end. Purchase of busses and other vehicles during the year totaled \$184,365. Total capital asset additions for the year amounted to \$1.7 million. Depreciation expense reported for fiscal year 2015 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, 2015, the School District had a total of two general obligation bond issues outstanding with outstanding principal of \$36.8 million, of which \$1.8 million is due within one year.

During the year, the School District issued \$1.8 million in energy conservation bonds to finance the energy conservation projects noted above. Principal payments scheduled to be made next year associated with this bond is \$170,000.

The School District also has \$3.4 million of outstanding liability at year end associated with capital leases entered into in prior years to finance certain improvements.

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Bellbrook-Sugarcreek Local School District, 3757 Upper Bellbrook Road, Bellbrook, OH 45305 or call (937) 848-4800.

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

STATEMENT OF NET POSITION
JUNE 30, 2015

| | Governmental Activities |
|---------------------------------------------------------------------|----------------------------|
| Assets: | |
| Equity in pooled cash, cash equivalents, and investments | \$ 7,692,128 |
| Cash and cash equivalents with fiscal agents | 11,277 |
| Receivables: | |
| Accounts | 137,631 |
| Property and other taxes | 19,640,111 |
| Prepaid items | 880 |
| Capital Assets: | |
| Non-depreciable | 4,807,875 |
| Depreciable, net of accumulated depreciation | 40,461,806 |
| Total Assets | 72,751,708 |
| Deferred Outflows of Resources: | |
| Deferred charge on refunding | 741,270 |
| Pension | 2,340,742 |
| Total Deferred Outflows of Resources | 3,082,012 |
| Liabilities: | |
| Accounts payable | 73,502 |
| Accrued wages and benefits payable | 2,173,463 |
| Intergovernmental payable | 535,793 |
| Matured compensated absences | 152,000 |
| Accrued interest payable | 152,074 |
| Long Term Liabilities: | |
| Due within one year | 2,334,273 |
| Due in more than one year | |
| Net pension liability | 31,361,584 |
| Other amounts due in more than one year | 42,732,824 |
| Total Liabilities | 79,515,513 |
| Deferred Inflows of Resources: | |
| Property taxes not levied to finance current fiscal year operations | 18,074,889 |
| Pension | 5,678,865 |
| Total Deferred Inflows of Resources | 23,753,754 |
| Net Position: | |
| Investment in net capital assets | 4,109,517 |
| Restricted for: | |
| Capital projects | 949,899 |
| Federal and state grant programs | 1,141 |
| Student activities | 152,869 |
| Other purposes | 10,048 |
| Unrestricted | (32,659,021) |
| Total Net Position | \$ (27,435,547) |

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, 2015

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|----------------------------------------------|----------------------|---------------------------------|---------------------------------------|-------------------------------------|---------------------------------------------------------|
| | Expenses | Charges for services & sales | Operating grants and contributions | Capital grants and contributions | Total Governmental Activities |
| <i>Governmental Activities:</i> | | | | | |
| <i>Instruction:</i> | | | | | |
| Regular | \$ 11,388,051 | \$ 613,905 | \$ 25,741 | \$ - | \$ (10,748,405) |
| Special | 3,689,377 | - | 775,271 | - | (2,914,106) |
| Vocational | 19,215 | - | - | - | (19,215) |
| <i>Support Services:</i> | | | | | |
| Pupils | 1,180,136 | 25,885 | 1,960 | - | (1,152,291) |
| Instructional staff | 900,555 | - | 49,261 | - | (851,294) |
| Board of education | 103,202 | - | - | - | (103,202) |
| Administration | 2,027,812 | 1,470 | 6,420 | - | (2,019,922) |
| Fiscal | 520,895 | - | - | - | (520,895) |
| Business | 229,250 | - | - | - | (229,250) |
| Operation and maintenance of plant | 2,549,566 | 62,524 | - | 10,250 | (2,476,792) |
| Pupil transportation | 1,457,011 | 60,631 | - | - | (1,396,380) |
| Central | 59,366 | - | - | - | (59,366) |
| Operation of non-instructional services | 752,984 | 528,163 | 205,831 | - | (18,990) |
| Extracurricular activities | 1,489,466 | 669,285 | 105,528 | 113,718 | (600,935) |
| Interest and fiscal charges | 2,001,784 | - | - | - | (2,001,784) |
| Unallocated depreciation * | 1,794,980 | - | - | - | (1,794,980) |
| | | | | | |
| Total Governmental Activities | <u>\$ 30,163,650</u> | <u>\$ 1,961,863</u> | <u>\$ 1,170,012</u> | <u>\$ 123,968</u> | <u>(26,907,807)</u> |
| <i>General Revenues:</i> | | | | | |
| <i>Property taxes levied for:</i> | | | | | |
| | | | | | 15,057,530 |
| | | | | | 2,806,010 |
| | | | | | 673,890 |
| | | | | | 8,632,048 |
| | | | | | 121 |
| | | | | | 36,360 |
| Total General Revenues | | | | | <u>27,205,959</u> |
| Changes in net position | | | | | 298,152 |
| Net position at beginning of year (restated) | | | | | <u>(27,733,699)</u> |
| Net position at end of year | | | | | <u>\$ (27,435,547)</u> |

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

See accompanying notes to the basic financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | General Fund | Bond Retirement | Permanent Improvement | Non-major Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------------------|----------------------|---------------------|--------------------------|------------------------------------|--------------------------------|
| <u>Assets:</u> | | | | | |
| Equity in Pooled Cash, Cash Equivalents, and Investments | \$ 5,418,128 | \$ 1,206,854 | \$ 903,088 | \$ 164,058 | \$ 7,692,128 |
| Cash and Cash Equivalents: | | | | | |
| With Fiscal Agent | - | - | - | 11,277 | 11,277 |
| Receivables: | | | | | |
| Taxes | 16,061,147 | 2,897,903 | 681,061 | - | 19,640,111 |
| Accounts | 137,631 | - | - | - | 137,631 |
| Prepaid Items | 880 | - | - | - | 880 |
| Total Assets | <u>\$ 21,617,786</u> | <u>\$ 4,104,757</u> | <u>\$ 1,584,149</u> | <u>\$ 175,335</u> | <u>\$ 27,482,027</u> |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balances:</u> | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 73,502 | \$ - | \$ - | \$ - | \$ 73,502 |
| Accrued Wages and Benefits | 2,173,463 | - | - | - | 2,173,463 |
| Intergovernmental Payable | 535,793 | - | - | - | 535,793 |
| Matured Compensated Absences Payable | 152,000 | - | - | - | 152,000 |
| Total Liabilities | <u>2,934,758</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,934,758</u> |
| Deferred Inflows of Resources: | | | | | |
| Property Taxes not Levied to Finance Current | | | | | |
| Fiscal Year Operations | 14,811,145 | 2,639,797 | 623,947 | - | 18,074,889 |
| Unavailable Revenue | 219,032 | 45,316 | 9,981 | - | 274,329 |
| Total Deferred Inflows of Resources | <u>15,030,177</u> | <u>2,685,113</u> | <u>633,928</u> | <u>-</u> | <u>18,349,218</u> |
| Fund Balances: | | | | | |
| Nonspendable | 880 | - | - | - | 880 |
| Restricted | - | 1,419,644 | 950,221 | 175,335 | 2,545,200 |
| Assigned | 443,369 | - | - | - | 443,369 |
| Unassigned | 3,208,602 | - | - | - | 3,208,602 |
| Total Fund Balances | <u>3,652,851</u> | <u>1,419,644</u> | <u>950,221</u> | <u>175,335</u> | <u>6,198,051</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 21,617,786</u> | <u>\$ 4,104,757</u> | <u>\$ 1,584,149</u> | <u>\$ 175,335</u> | <u>\$ 27,482,027</u> |

See accompanying notes to the basic financial statements.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----|--------------|
| Total Governmental Fund Balances: | | \$ | 6,198,051 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 45,269,681 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable deferred inflows of resources in the balance sheet of governmental funds | | | |
| Delinquent property taxes | 274,329 | | |
| Total | 274,329 | | 274,329 |
| Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General obligation bonds | (36,790,102) | | |
| General obligation bonds | (1,830,000) | | |
| Capital leases obligations | (3,382,000) | | |
| Accrued interest payable | (152,074) | | |
| Unamortized bond premium | (1,524,434) | | |
| Deferred charge on refunding | 741,270 | | |
| Compensated absences | (1,540,561) | | |
| Total | (44,477,901) | | (44,477,901) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds: | | | |
| Deferred outflows - pension | 2,340,742 | | |
| Deferred inflows - pension | (5,678,865) | | |
| Net pension liability | (31,361,584) | | |
| Total | (34,699,707) | | (34,699,707) |
| Net Position of Governmental Activities | | \$ | (27,435,547) |

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, 2015

| | General Fund | Bond Retirement | Permanent Improvement | Non-major Governmental Funds | Total Governmental Funds |
|------------------------------------------|---------------------|---------------------|--------------------------|------------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 14,894,617 | \$ 2,770,066 | \$ 666,431 | \$ - | \$ 18,331,114 |
| Intergovernmental | 8,171,664 | 371,539 | 88,845 | 1,144,204 | 9,776,252 |
| Student Sales | 1,855 | - | - | 528,967 | 530,822 |
| Interest | 123 | - | - | (2) | 121 |
| Tuition and Fees | 575,800 | - | - | 83,787 | 659,587 |
| Rentals | 57,418 | - | - | 1,863 | 59,281 |
| Gifts and Donations | 24,056 | - | 113,718 | 12,002 | 149,776 |
| Extracurricular Activities | 69,488 | - | - | 381,758 | 451,246 |
| Miscellaneous | 272,514 | - | - | 11,908 | 284,422 |
| Total Revenues | 24,067,535 | 3,141,605 | 868,994 | 2,164,487 | 30,242,621 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 11,417,078 | - | 205,184 | 27,701 | 11,649,963 |
| Special | 2,926,478 | - | - | 781,690 | 3,708,168 |
| Vocational | 19,215 | - | - | - | 19,215 |
| Support Services: | | | | | |
| Pupils | 1,204,245 | - | - | - | 1,204,245 |
| Instructional Staff | 774,383 | - | 143,188 | 57,995 | 975,566 |
| Board of Education | 103,703 | - | - | - | 103,703 |
| Administration | 2,050,609 | - | 45,761 | - | 2,096,370 |
| Fiscal | 508,940 | 16,256 | 3,945 | - | 529,141 |
| Business | 122,770 | - | - | - | 122,770 |
| Plant Operation and Maintenance | 2,557,191 | - | 10,133 | - | 2,567,324 |
| Pupil Transportation | 1,463,040 | - | 184,365 | - | 1,647,405 |
| Central | 56,736 | - | - | - | 56,736 |
| Non-Instructional Services | 3,342 | - | - | 745,705 | 749,047 |
| Extracurricular Activities | 722,905 | - | 26,352 | 612,105 | 1,361,362 |
| Capital Outlay | 12,985 | - | 1,448,113 | 10,000 | 1,471,098 |
| Debt Service: | | | | | |
| Principal Retirement | - | 1,650,000 | 173,000 | - | 1,823,000 |
| Interest and Fiscal Charges | - | 1,472,250 | 159,511 | - | 1,631,761 |
| Issuance Costs | - | - | 30,917 | - | 30,917 |
| Total Expenditures | 23,943,620 | 3,138,506 | 2,430,469 | 2,235,196 | 31,747,791 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | 123,915 | 3,099 | (1,561,475) | (70,709) | (1,505,170) |
| Other Financing Sources: | | | | | |
| Energy Conservation Bonds Issued | - | - | 1,830,000 | - | 1,830,000 |
| Proceeds from Sale of Assets | 8,000 | - | - | - | 8,000 |
| Insurance Recoveries | 4,865 | - | - | - | 4,865 |
| Transfers In | - | - | 301,919 | 20,000 | 321,919 |
| Transfers Out | (321,919) | - | - | - | (321,919) |
| Total Other Financing Sources | (309,054) | - | 2,131,919 | 20,000 | 1,842,865 |
| Net Change in Fund Balance | (185,139) | 3,099 | 570,444 | (50,709) | 337,695 |
| Fund Balance at Beginning of Year | 3,837,990 | 1,416,545 | 379,777 | 226,044 | 5,860,356 |
| Fund Balance at End of Year | \$ 3,652,851 | \$ 1,419,644 | \$ 950,221 | \$ 175,335 | \$ 6,198,051 |

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, 2015

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 337,695 |
| <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 | 1,697,346 | |
| Current year depreciation | <u>(2,189,980)</u> | |
| Total | | (492,634) |
| Long term receivables that do not provide current financial resources are not reported as revenues in the funds. | | |
| Delinquent property taxes | <u>206,316</u> | |
| Total | | 206,316 |
| In the statement of activities, the issuance of debt obligations are accrued as a liability, whereas the governmental funds report the issuance of debt as current resources. | | |
| | | (1,830,000) |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| Principal payments on general obligation bonds | 1,650,000 | |
| Principal payments on capital lease obligations | <u>173,000</u> | |
| Total | | 1,823,000 |
| Some expenses reported in the statement of activities, such as compensated absences and various components of the issuance of debt, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | |
| Compensated absences payable | (16,009) | |
| Accrued interest payable | (6,956) | |
| Annual accretion on capital appreciation bonds | (403,350) | |
| Amortization of bond premium | 124,541 | |
| Amortization of deferred charge on refunding | <u>(53,341)</u> | |
| Total | | (355,115) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | |
| | | 2,044,873 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | <u>(1,435,983)</u> |
| Change in Net Position of Governmental Activities | \$ | <u><u>298,152</u></u> |

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--------------------------------------------------|---------------------|--------------------|---------------------|----------------------------------|
| Revenues: | | | | |
| Taxes | \$ 15,190,113 | \$ 15,190,113 | \$ 15,403,852 | \$ 213,739 |
| Intergovernmental | 8,058,277 | 8,058,277 | 8,171,664 | 113,387 |
| Interest | 121 | 121 | 123 | 2 |
| Tuition and Fees | 523,134 | 523,134 | 530,495 | 7,361 |
| Rentals | 56,621 | 56,621 | 57,418 | 797 |
| Student Sales | 1,450 | 1,450 | 1,470 | 20 |
| Miscellaneous | 145,284 | 145,284 | 147,328 | 2,044 |
| Total Revenues | <u>23,975,000</u> | <u>23,975,000</u> | <u>24,312,350</u> | <u>337,350</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 11,506,126 | 16,039,124 | 11,320,588 | 4,718,536 |
| Special | 2,779,043 | 2,779,043 | 2,893,799 | (114,756) |
| Vocational | 31,300 | 31,300 | 19,763 | 11,537 |
| Support Services: | | | | |
| Pupils | 1,146,479 | 1,146,479 | 1,166,313 | (19,834) |
| Instructional Staff | 735,299 | 735,299 | 763,075 | (27,776) |
| Board of Education | 89,625 | 89,625 | 119,050 | (29,425) |
| Administration | 2,112,154 | 2,112,154 | 2,104,397 | 7,757 |
| Fiscal | 624,400 | 624,400 | 572,867 | 51,533 |
| Business | 121,830 | 121,830 | 121,071 | 759 |
| Plant Operation and Maintenance | 2,861,703 | 2,861,703 | 2,763,210 | 98,493 |
| Pupil Transportation | 1,712,674 | 1,712,674 | 1,531,681 | 180,993 |
| Central | 73,463 | 73,463 | 64,143 | 9,320 |
| Non-Instructional Services | 4,000 | 4,000 | 3,385 | 615 |
| Extracurricular Activities | 601,820 | 601,820 | 549,280 | 52,540 |
| Capital Outlay | - | - | 12,985 | (12,985) |
| Total Expenditures | <u>24,399,916</u> | <u>28,932,914</u> | <u>24,005,607</u> | <u>4,927,307</u> |
| Excess of Revenues Under (Under) Expenditures | <u>(424,916)</u> | <u>(4,957,914)</u> | <u>306,743</u> | <u>5,264,657</u> |
| Other Financing Sources (Uses): | | | | |
| Refund of Prior Year Expenditures | 150,000 | 150,000 | 94,058 | (55,942) |
| Insurance Recoveries | - | - | 4,865 | 4,865 |
| Proceeds from Sale of Assets | - | - | 8,000 | 8,000 |
| Transfers-In | 10,000 | 10,000 | - | (10,000) |
| Transfers-Out | (5,000) | (5,000) | (321,919) | (316,919) |
| Total Other Financing Sources (Uses) | <u>155,000</u> | <u>155,000</u> | <u>(214,996)</u> | <u>(369,996)</u> |
| Net Change in Fund Balance | (269,916) | (4,802,914) | 91,747 | 4,894,661 |
| Fund Balance at Beginning of Year | 4,514,493 | 4,514,493 | 4,514,493 | - |
| Prior Year Encumbrances Appropriated | 288,421 | 288,421 | 288,421 | - |
| Fund Balance at End of Year | <u>\$ 4,532,998</u> | <u>\$ -</u> | <u>\$ 4,894,661</u> | <u>\$ 4,894,661</u> |

See accompanying notes to the basic financial statements.

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

| | Private Purpose Trust | Agency Funds |
|--------------------------------------------|--------------------------|-----------------|
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ - | \$ 64,826 |
| Cash and Cash Equivalents: | | |
| With Fiscal Agent | 504,014 | - |
| Total Assets | 504,014 | 64,826 |
| Liabilities: | | |
| Due to students | - | 64,826 |
| Total Liabilities | - | \$ 64,826 |
| Net Position: | | |
| Held in trust for scholarships | 504,014 | |
| Total Net Position | \$ 504,014 | |

See accompanying notes to the basic financial statements.

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>Private Purpose Trust</u> |
|----------------------------------------------|--------------------------------------|
| Additions: | |
| Gifts and Donations | \$ 52,990 |
| Investment Earnings | <u>(251)</u> |
| Total Additions | <u>52,739</u> |
| Deductions: | |
| Payments in accordance with trust agreements | <u>38,001</u> |
| Total Deductions | <u>38,001</u> |
| Change in Net Position | 14,738 |
| Net Position Beginning of Year | <u>489,276</u> |
| Net Position End of Year | <u><u>\$ 504,014</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, 2015

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 256 FTE employees who provide services to 2,599 students and other community members.

Reporting Entity

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing body and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations for which the School District approves the budget, the issuance of debt or the levying of taxes.

The School District does not have any component units.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

A. Basis Of Presentation

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

B. Fund Accounting

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Fund Financial Statements

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

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

D. Basis of Accounting

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

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

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

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

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained further in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance the subsequent fiscal year. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 11.

F. Budget Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2015.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

G. Cash, Cash Equivalents, and Investments

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

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

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

The School District has allocated interest according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$123, which includes the General Fund's allocation as well as the allocations of all funds not specified in the Board's resolution.

H. Estimates

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

I. Capital Assets and Depreciation

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

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

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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

J. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources and uses in governmental funds. Transfers within governmental activities are eliminated on the statement of activities. Reimbursements from one fund to another for particular expenditure(s) are not presented on the financial statements.

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Investment in net capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. At June 30, 2015 the School District did not have any portion of net position restricted by enabling legislation.

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

O. Fund Balance

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

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

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

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

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

| | |
|-------------------------------------------------------------|------------------------|
| Net position June 30, 2014 previously reported | \$ 7,574,898 |
| Adjustments: | |
| Net pension liability at June 30, 2014 | (37,269,945) |
| Deferred outflows - payments subsequent to measurement date | <u>1,961,348</u> |
| Net position June 30, 2014 as restated | <u>\$ (27,733,699)</u> |

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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:

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

| Fund Balances | General | Bond Retirement | Permanent Improvement | Nonmajor Governmental Funds | Total |
|--------------------------|---------------------|---------------------|-----------------------|-----------------------------|---------------------|
| Nonspendable | | | | | |
| Prepaid Items | \$ 880 | \$ - | \$ - | \$ - | \$ 880 |
| Restricted | | | | | |
| Debt Service | - | 1,419,644 | - | - | 1,419,644 |
| Capital Improvements | - | - | 950,221 | 11,277 | 961,498 |
| Food Service Operations | - | - | - | 10,048 | 10,048 |
| Student Activities | - | - | - | 152,869 | 152,869 |
| Federal and State Grants | - | - | - | 1,141 | 1,141 |
| Total Restricted | <u>-</u> | <u>1,419,644</u> | <u>950,221</u> | <u>175,335</u> | <u>2,545,200</u> |
| Assigned | | | | | |
| School Activities | 101,211 | - | - | - | 101,211 |
| Future Purchases | 342,158 | - | - | - | 342,158 |
| Total Assigned | <u>443,369</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>443,369</u> |
| Unassigned | 3,208,602 | - | - | - | 3,208,602 |
| Total Fund Balances | <u>\$ 3,652,851</u> | <u>\$ 1,419,644</u> | <u>\$ 950,221</u> | <u>\$ 175,335</u> | <u>\$ 6,198,051</u> |

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance (GAAP basis).
4. Some Other Financing Sources and Uses are reported on the budgetary basis based on required chart of accounts but do not meet the criteria to be reported within that section on a GAAP basis.
5. 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.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance
General Fund

| | | |
|-----------------------------------------------------------------------------------|----|---------------|
| GAAP Basis | \$ | (185,139) |
| Revenue Accruals | | 463,930 |
| Expenditure Accruals | | 127,975 |
| Encumbrances | | (422,256) |
| Other Financing Sources | | 93,225 |
| (Excess) or deficit of Funds Combined with General Fund for Reporting Purposes | | <u>14,012</u> |
| Budget Basis | \$ | <u>91,747</u> |

NOTE 6 – CASH AND CASH EQUIVALENTS

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

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

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

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.

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 \$8,272,245 and the bank balance was \$7,885,295, excluding deposits held by outside fiscal agent. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$7,635,295 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.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of current and delinquent property taxes, as well as accounts (rent and student fees). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received during calendar year 2015 were levied after April 1, 2014 on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which the fiscal year 2015 taxes were collected are as follows:

| | <u>2015 First Half Collections</u> | <u>2014 Second Half Collections</u> |
|---------------------------------------------------|----------------------------------------|-----------------------------------------|
| Agricultural/residential And other real estate | \$ 493,289,940 | \$ 488,593,660 |
| Public utility personal | <u>16,142,750</u> | <u>15,669,660</u> |
| Total | <u>\$ 509,432,690</u> | <u>\$ 504,263,320</u> |

The School District receives property taxes from Greene County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Property taxes receivable represents real property and public utility property taxes that are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the portion of real property taxes available as an advance at June 30 was levied to finance current year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2015 the School District contracted with Travelers Indemnity 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 Great American 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.

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Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| | Balance July 1, 2014 | Additions | Deletions | Balance June 30, 2015 |
|-----------------------------------------------------|-------------------------|----------------------|-----------------|--------------------------|
| <i><u>Capital Assets, not being depreciated</u></i> | | | | |
| Land | \$ 3,432,055 | \$ - | \$ - | \$ 3,432,055 |
| Construction in Progress | - | 1,375,820 | - | 1,375,820 |
| Total Non-depreciable Capital Assets | <u>3,432,055</u> | <u>1,375,820</u> | <u>-</u> | <u>4,807,875</u> |
| <i><u>Capital Assets, being depreciated</u></i> | | | | |
| Land Improvements | 5,234,596 | 21,235 | - | 5,255,831 |
| Buildings and Improvements | 58,903,679 | - | - | 58,903,679 |
| Furniture and Equipment | 1,724,609 | 115,926 | (7,995) | 1,832,540 |
| Vehicles | 2,402,551 | 184,365 | (65,500) | 2,521,416 |
| | <u>68,265,435</u> | <u>321,526</u> | <u>(73,495)</u> | <u>68,513,466</u> |
| <i><u>Less: Accumulated Depreciation</u></i> | | | | |
| Land Improvements | (2,231,332) | (230,289) | - | (2,461,621) |
| Buildings and Improvements | (20,306,867) | (1,736,480) | - | (22,043,347) |
| Furniture and Equipment | (1,272,304) | (91,931) | 7,995 | (1,356,240) |
| Vehicles | (2,124,672) | (131,280) | 65,500 | (2,190,452) |
| | <u>(25,935,175)</u> | <u>(2,189,980) *</u> | <u>73,495</u> | <u>(28,051,660)</u> |
| Depreciable Capital Assets, Net | <u>42,330,260</u> | <u>(1,868,454)</u> | <u>-</u> | <u>40,461,806</u> |
| Total Capital Assets, Net | <u>\$ 45,762,315</u> | <u>\$ (492,634)</u> | <u>\$ -</u> | <u>\$ 45,269,681</u> |

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

| | |
|-----------------------------------------|---------------------|
| Instruction: | |
| Regular | \$ 72,118 |
| Support Services: | |
| Instructional staff support | 1,199 |
| Administration | 9,239 |
| Business | 106,745 |
| Operation and maintenance of plant | 8,225 |
| Pupil transportation | 39,359 |
| Central | 2,630 |
| Operation of non-instructional services | 4,859 |
| Extracurricular activities | 150,626 |
| Unallocated depreciation | <u>1,794,980</u> |
| Total Depreciation Expense | <u>\$ 2,189,980</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, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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For the Fiscal Year Ended June 30, 2015

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 ** | Eligible to retire on or after August 1, 2017 |
|------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Full benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or age 60 with 25 years of service credit |

** - Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$445,156 for fiscal year 2015; \$83,824 of contributions is reported within intergovernmental payable at June 30, 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1,

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For the Fiscal Year Ended June 30, 2015

2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,599,717 for fiscal year 2015; \$287,480 of contributions is reported within intergovernmental payable at June 30, 2015.

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Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--------------------------------------------------|--------------|---------------|---------------|
| Proportionate share of the net pension liability | \$ 5,424,724 | \$ 25,936,860 | \$ 31,361,584 |
| Proportion of the net pension liability | 0.107188% | 0.10663310% | |
| Pension expense | \$ 301,925 | \$ 1,134,058 | \$ 1,435,983 |

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|----------------------------------------------------------------------------------|-------------------|---------------------|---------------------|
| <u>Deferred Outflows of Resources:</u> | | | |
| Differences between expected and actual experience | \$ 46,170 | \$ 249,699 | \$ 295,869 |
| School District contributions subsequent to the measurement date | <u>445,156</u> | <u>1,599,717</u> | <u>2,044,873</u> |
| Total | <u>\$ 491,326</u> | <u>\$ 1,849,416</u> | <u>\$ 2,340,742</u> |
| <u>Deferred Inflows of Resources:</u> | | | |
| Net difference between projected and actual earnings on pension plan investments | <u>\$ 880,448</u> | <u>\$ 4,798,417</u> | <u>\$ 5,678,865</u> |

\$2,044,873 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------|-----------------------|-----------------------|
| Fiscal Year Ending June 30: | | | |
| 2016 | \$ (208,453) | \$ (1,137,180) | \$ (1,345,633) |
| 2017 | (208,453) | (1,137,179) | (1,345,632) |
| 2018 | (208,453) | (1,137,180) | (1,345,633) |
| 2019 | <u>(208,919)</u> | <u>(1,137,179)</u> | <u>(1,346,098)</u> |
| | <u>\$ (834,278)</u> | <u>\$ (4,548,718)</u> | <u>\$ (5,382,996)</u> |

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For the Fiscal Year Ended June 30, 2015

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|----------------------------------------------|--------------------------------------------------------------|
| Wage inflation | 3.25 percent |
| Future salary increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment rate of return | 7.75 percent of net investments expense, including inflation |
| Actuarial cost method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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For the Fiscal Year Ended June 30, 2015

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|-------------------|----------------------------------------|
| Cash | 1.00% | 0.00% |
| US stocks | 22.50% | 5.00% |
| Non-US stocks | 22.50% | 5.00% |
| Fixed income | 19.00% | 1.50% |
| Private equity | 10.00% | 10.00% |
| Real assets | 10.00% | 5.00% |
| Multi-asset strategies | <u>15.00%</u> | 7.50% |
| Total | <u>100.00%</u> | |

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--------------------------------------------------------------------|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$ 7,739,469 | \$ 5,424,724 | \$ 3,477,823 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation | 2.75 percent |
| Future salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment rate of return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|-----------------------------------------------|
| Domestic equity | 31.00% | 8.00% |
| International equity | 26.00% | 7.85% |
| Alternatives | 14.00% | 8.00% |
| Fixed income | 18.00% | 3.75% |
| Real estate | 10.00% | 6.75% |
| Liquidity reserves | <u>1.00%</u> | 3.00% |
| Total | <u>100.00%</u> | |

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--------------------------------------------------------------------|--------------------------------|----------------------------------------------|--------------------------------|
| School District's proportionate share of the net pension liability | \$ 37,131,443 | \$ 25,936,860 | \$ 16,470,010 |

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – In addition to a cost sharing multiple employer defined benefit pension plan, SERS administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS offers several types of health plans from various vendors including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

Fund Policy – The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is 0.82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The School District's allocated contributions to the health care fund for the years ended June 30, 2015, 2014 and 2013 were \$27,696, \$54,929, and \$50,535 respectively; which equaled the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves, dependents, or surviving beneficiaries. Premiums vary depending on plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of the health care plan are included in SERS' CAFR which can be obtained at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System

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

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 2015, STRS Ohio did not allocate any portion of the employer contributions to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$112,347, and \$106,717 respectively; which equaled the required contributions for each year.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

NOTE 13 – OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the District as a whole amounted to \$71,934 at June 30, 2015.

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, 2015 was \$1,468,627.

NOTE 14 - LONG-TERM OBLIGATIONS

Activity of the School District's long-term obligations at June 30, 2015 was as follows:

| | Balance 6/30/2014 | Increases | Decrease | Balance 6/30/2015 | Due within One Year |
|----------------------------------|----------------------|--------------|----------------|----------------------|------------------------|
| General Obligation Bonds: | | | | | |
| 2006 Refunding Bonds: | | | | | |
| Current Interest 3.75%-4.50% | \$ 32,855,000 | \$ - | \$ (325,000) | \$ 32,530,000 | \$ 335,000 |
| Capital Appreciation 4.03%-4.12% | 1,456,752 | 403,350 | - | 1,860,102 | - |
| 2013 Refunding Bonds: | | | | | |
| Current Interest 2.0%-3.0% | 3,725,000 | - | (1,325,000) | 2,400,000 | 1,450,000 |
| Unamortized Bond Premium | 1,648,975 | - | (124,541) | 1,524,434 | - |
| Total General Obligation Bonds | 39,685,727 | 403,350 | (1,774,541) | 38,314,536 | 1,785,000 |
| 2015 Energy Conservation Bonds: | | | | | |
| Current Interest 1.95% | - | 1,830,000 | - | 1,830,000 | 170,000 |
| Capital Lease Obligation | 3,555,000 | - | (173,000) | 3,382,000 | 179,000 |
| Compensated Absences | 1,524,552 | 214,204 | (198,195) | 1,540,561 | 200,273 |
| Net Pension Liability: | | | | | |
| SERS | 6,374,126 | - | (949,402) | 5,424,724 | - |
| STRS | 30,895,818 | - | (4,958,958) | 25,936,860 | - |
| Total Long-Term Obligations | \$ 82,035,223 | \$ 2,447,554 | \$ (8,054,096) | \$ 76,428,681 | \$ 2,334,273 |

General Obligation Bonds

The School District's general obligation bond issues will be paid through the bond retirement 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:

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

- In December 2013, the School District issued \$3,725,000 of general obligation bonds to finance the repayment of \$3,745,000 of 2003 multi-purpose bonds at the call date of February 3, 2015. The 2013 current interest bonds will fully mature on December 31, 2016 and carry an interest rate of 2.0 to 3.0 percent.
- \$34,625,000 of general obligation bonds issued in 2006 to provide resources to advance refund \$34,625,000 of current interest, general obligation bonds issued in 2003. These bonds include current interest and capital appreciation bonds. The capital appreciation bonds will mature in fiscal years 2018, 2019 and 2020. The maturity amount of the capital appreciation bonds is \$4.33 million. For fiscal year 2015, \$403,350 was accreted for a total bond value of \$1,860,102.
- In January 2015, the School District issued \$1,830,000 of energy conservation improvement bonds to finance various energy conservation projects within the District's facilities. These bonds fully mature on December 1, 2024 and carry an interest rate of 1.95 percent.

Principal and interest requirements to retire the District's long-term general obligation bonds outstanding at June 30, 2015 are as follows:

| Fiscal Year Ended June 30, | General Obligation Bonds | | Energy Conservation Bonds | | Total Bonds |
|-------------------------------|--------------------------|----------------------|---------------------------|-------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2016 | \$ 1,785,000 | \$ 1,431,300 | \$ 170,000 | \$ 34,028 | \$ 3,420,328 |
| 2017 | 1,300,000 | 1,388,850 | 170,000 | 30,713 | 2,889,563 |
| 2018 | 743,393 | 1,989,207 | 175,000 | 27,349 | 2,934,949 |
| 2019 | 606,658 | 2,200,942 | 175,000 | 23,936 | 3,006,536 |
| 2020 | 510,051 | 2,382,549 | 180,000 | 20,475 | 3,093,075 |
| 2021-25 | 9,725,000 | 5,821,562 | 960,000 | 47,482 | 16,554,044 |
| 2026-30 | 14,600,000 | 3,226,407 | - | - | 17,826,407 |
| 2031-32 | 7,520,000 | 325,337 | - | - | 7,845,337 |
| Total | <u>\$ 36,790,102</u> | <u>\$ 18,766,154</u> | <u>\$ 1,830,000</u> | <u>\$ 183,983</u> | <u>\$ 57,570,239</u> |

Debt Limitations

The School District's voted legal debt margin, as determined under Ohio Revised Code Section was approximately \$10.5 million, energy conservation debt margin was \$2.8 million, and the unvoted debt margin was \$509,433 at June 30, 2015.

Other Long-Term Obligations

The School District pays obligations related to employee compensation (compensated absences and required pension contributions) from the fund benefitting from their service. If there are no available resources within those funds, the obligations will be paid by the general fund. The capital lease obligations are being repaid with revenues from the permanent improvement capital project fund.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into capital leases to finance the local initiatives related to the school construction and renovation project, renovations of the athletic stadium, as well as the construction of a bus maintenance facility. These leases meet the criteria of a capital lease as the benefits and risks of ownership have transferred to the lessee. Capital lease payments will be reflected as debt service expenditures in the basic financial statements for the governmental funds.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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, 2015.

| Fiscal Year Ending June 30, | |
|-----------------------------------------|---------------------|
| 2016 | \$ 330,549 |
| 2017 | 331,249 |
| 2018 | 331,542 |
| 2019 | 330,472 |
| 2020 | 330,035 |
| 2021-25 | 1,552,012 |
| 2026-30 | 896,492 |
| 2031-35 | 477,953 |
| 2036-37 | <u>191,404</u> |
| Total Minimum Lease Payments | 4,771,708 |
| Less: Amount Representing Interest | <u>(1,389,708)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 3,382,000</u> |

The capital assets acquired by lease agreements have been capitalized in the statement of net position for governmental activities in the amount of \$5,094,639 (\$1,758,180 of buildings and improvements and \$3,336,459 of land improvements), which is equal to the present value of the minimum lease payments at the time of acquisition. The corresponding liability is split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net position for governmental activities. Principal payments in fiscal year 2015 totaled \$173,000.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

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

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$114,461 for services provided during the year. Financial information can be obtained from Thor Sage, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Southwestern Ohio Educational Purchasing Cooperative

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

Greene County Career Center

The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, 2960 West Enon Road, Xenia, Ohio 45385-9545.

Bellbrook/Sugarcreek Education Foundation

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

NOTE 17 - CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

Full-Time Equivalency Review

The Ohio Department of Education began conducting reviews of enrollment and full-time equivalency (FTE) calculations made by school districts within the State starting for fiscal year 2015. These reviews are being conducted to ensure the school districts are reporting accurate student enrollment data to the State, which is used in determining state funding allocations. The conclusions of such reviews could result in adjustments to state funding allocations for the fiscal year being reviewed. The fiscal year 2015 reviews have not been completed as of the date of these financial statements, however, management does not anticipate significant adjustments to its state funding allocation to result when reviews are completed.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

Litigation

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

NOTE 18 - SET-ASIDE CALCULATIONS

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

| | <u>Capital Improvements</u> |
|------------------------------------------------------------------------------|---------------------------------|
| Set-aside balance as of June 30, 2014 | \$ - |
| Current year set-aside requirement | 430,577 |
| Contributions in excess of the current fiscal year set-aside requirements | - |
| Current year qualifying expenditures | (418,425) |
| Excess qualified expenditures from prior years | - |
| Current year offsets | (688,507) |
| Waiver granted by ODE | - |
| Qualifying Disbursements | <u>-</u> |
| Total | <u>\$ (676,355)</u> |
| Balance Carried Forward to FY 2016 | <u>\$ -</u> |
| Set-aside balance as of June 30, 2015 | <u>\$ -</u> |

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

NOTE 19 – INTERFUND TRANSFERS

During fiscal year 2015, the general fund transferred \$321,919 to the permanent improvement (\$301,919) and food service (\$20,000) funds. The transfer to the permanent improvement fund was to provide resources for significant capital items while the transfer to the food service (non-major special revenue) fund was to provide operating resources for the program during the fiscal year.

BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

NOTE 20 - 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 | \$ 435,455 |
| Permanent Improvement Fund | 859,159 |
| Non-major Governmental Funds | <u>81,533</u> |
| | <u>\$ 1,376,147</u> |

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TWO FISCAL YEARS (1)

| | 2014 | 2013 |
|--------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <u>School Employees Retirement System of Ohio:</u> | | |
| District's Proportion of the Net Pension Liability | 0.107188% | 0.107188% |
| District's Proportionate Share of the Net Pension Liability | \$ 5,424,724 | \$ 6,374,126 |
| District's Covered-Employee Payroll | \$ 3,146,133 | \$ 3,032,782 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll. | 172.43% | 210.17% |
| Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability | 71.70% | 65.52% |
| <u>State Teachers Retirement System of Ohio:</u> | | |
| District's Proportion of the Net Pension Liability | 0.10663310% | 0.10663310% |
| District's Proportionate Share of the Net Pension Liability | \$ 25,936,860 | \$ 30,895,818 |
| District's Covered-Employee Payroll | \$ 11,733,031 | \$ 10,671,685 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll. | 221.06% | 289.51% |
| Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability | 74.70% | 69.30% |

(1) - Information prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

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

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
LAST FIVE FISCAL YEARS (1)

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|--------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <u>School Employees Retirement System of Ohio:</u> | | | | | |
| Contractually Required Contribution | \$ 445,156 | \$ 436,054 | \$ 419,737 | \$ 391,728 | \$ 417,703 |
| Contributions in Relation to the Contractually Required Contributions | <u>(445,156)</u> | <u>(436,054)</u> | <u>(419,737)</u> | <u>(391,728)</u> | <u>(417,703)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| District Covered-Employee Payroll | \$ 3,377,511 | \$ 3,146,133 | \$ 3,032,782 | \$ 2,912,476 | \$ 3,323,015 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.18% | 13.86% | 13.84% | 13.45% | 12.57% |
| <u>State Teachers Retirement System of Ohio:</u> | | | | | |
| Contractually Required Contribution | \$ 1,599,717 | \$ 1,525,294 | \$ 1,387,319 | \$ 1,434,642 | \$ 1,455,123 |
| Contributions in Relation to the Contractually Required Contributions | <u>(1,599,717)</u> | <u>(1,525,294)</u> | <u>(1,387,319)</u> | <u>(1,434,642)</u> | <u>(1,455,123)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| District Covered-Employee Payroll | \$ 11,426,550 | \$ 11,733,031 | \$ 10,671,685 | \$ 11,035,708 | \$ 11,193,254 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% |

(1) - Information prior to fiscal year 2011 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|----------------------------------------------------------------------------------------------|------------------------------------|--------------------|------------------------------|---------------------|----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | |
| Passed Through Ohio Department of Education | | | | | |
| Child Nutrition Cluster: | | | | | |
| Non-Cash Assistance (Food Distribution): | | | | | |
| National School Lunch Program | 10.555 | | \$10,699 | | \$10,699 |
| Cash Assistance | | | | | |
| School Breakfast Program | 10.553 | \$18,642 | | \$18,642 | |
| National School Lunch Program | 10.555 | 174,376 | | 174,376 | |
| National School Lunch Program - Incentive | | 8,591 | | 8,591 | |
| Total National School Lunch Program | | <u>182,967</u> | | <u>182,967</u> | |
| Total Child Nutrition Cluster | | <u>201,609</u> | <u>10,699</u> | <u>201,609</u> | <u>10,699</u> |
| Total U.S. Department of Agriculture | | <u>201,609</u> | <u>10,699</u> | <u>201,609</u> | <u>10,699</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | |
| Passed Through Ohio Department of Education | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 301,157 | | 301,157 | |
| Special Education Cluster (IDEA): | | | | | |
| Special Education Grants to States | 84.027 | 432,988 | | 432,988 | |
| Special Education Preschool Grants | 84.173 | <u>15,420</u> | | <u>15,420</u> | |
| Total Special Education Cluster (IDEA) | | <u>448,408</u> | | <u>448,408</u> | |
| Improving Teacher Quality State Grants | 84.367 | 45,124 | | 45,124 | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants: | | | | | |
| Race to the Top - CCIP | 84.395 | 2,189 | | 2,189 | |
| Race to the Top - Mini-grant | | 6,689 | | 6,689 | |
| Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants: | | <u>8,878</u> | | <u>8,878</u> | |
| Passed Through Greene County Educational Service Center | | | | | |
| Race to the Top - District Grants | | | | | |
| Race to the Top - eTPES FY 15 | 84.416 | <u>12,012</u> | | <u>12,012</u> | |
| Total U.S. Department of Education | | <u>815,579</u> | | <u>815,579</u> | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | |
| Passed Through Greene County Educational Service Center | | | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | 41,126 | | 41,126 | |
| Total U.S. Department of Health and Human Services | | <u>41,126</u> | | <u>41,126</u> | |
| Total Federal Awards Receipts and Expenditures | | <u>\$1,058,314</u> | <u>\$10,699</u> | <u>\$1,058,314</u> | <u>\$10,699</u> |

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Bellbrook-Sugarcreek Local School District
Greene County
3757 Upper Bellbrook Rd
Bellbrook, Ohio 45305

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellbrook-Sugarcreek Local School District, Greene County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 1, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 1, 2016



Dave Yost • Auditor of State

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

Bellbrook-Sugarcreek Local School District
Greene County
3757 Upper Bellbrook Rd
Bellbrook, Ohio 45305

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Bellbrook-Sugarcreek Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Bellbrook-Sugarcreek Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Bellbrook-Sugarcreek Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

April 1, 2016

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Title I Grants to Local Educational Agencies (CFDA #84.010) |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | Yes |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

BELLBROOK SUGARCREEK LOCAL SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 26, 2016**