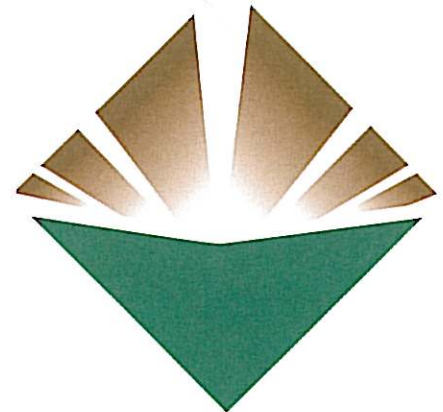


Bellefontaine City School District
Logan County
Basic Financial Statements – Cash Basis

For the Fiscal Year Ended June 30, 2008



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.



Mary Taylor, CPA
Auditor of State

Board of Education
Bellefontaine City School District
820 Ludlow Road
Bellefontaine, Ohio 43311

We have reviewed the *Independent Auditors' Report* of the Bellefontaine City School District, Logan County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 23, 2009

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**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

2300 Baton Rouge Avenue
Lima, Ohio 45805-1130
PH 419-331-1040
FAX 419-331-1120
www.reacpa.com

We're Ready For Your Future

December 15, 2008

The Board of Education
Bellefontaine City School District
Bellefontaine, Ohio 43311

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District, Logan County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District, Logan County, Ohio, as of and for the year ended June 30, 2008, and the respective changes in cash basis financial position and the respective budgetary comparison of the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 on our consideration of the School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bellefontaine City School District, Logan County, Ohio's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kea & Associates, Inc.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

The management's discussion and analysis of the Bellefontaine City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

In total, net assets increased \$627,030.

General receipts accounted for \$20,505,239 or 77% of all receipts. Program specific receipts in the form of charges for services and operating and capital grants, contributions and interest accounted for \$6,083,396 or 23% of total receipts of \$26,588,635.

The School District's major funds included the General Fund and the Permanent Improvement Fund. The General Fund had \$21,465,392 in receipts, and \$21,160,033 in disbursements. The General Fund's balance increased \$680,359 from the prior fiscal year. The Permanent Improvement Fund had \$296,378 in receipts and \$274,361 in disbursements. The Permanent Improvement Fund's balance increased \$22,017 from the prior fiscal year.

The receipts generated from the Permanent Improvement Fund are used to pay for the acquisition or construction of major capital facilities.

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities, both reported on the cash basis, provide information about the activities of the whole School District. Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For the School District, the General Fund is the most significant fund. The General Fund and the Permanent Improvement Fund are the School District's major funds.

Basis of Accounting

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

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

The view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statement focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Fund.

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

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

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and trust programs. This activity is presented as a private purpose trust. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in private purpose trust and agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 19 and 20. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2008 and 2007.

(Table 1)
Net Assets – Cash Basis

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Equity in Pooled Cash and Cash Equivalents	<u>\$6,433,189</u>	<u>\$5,806,159</u>
Restricted for:		
Debt Service	\$ 332,574	\$ 589,692
Capital Outlay	646,228	628,049
Other Purposes	506,246	750,230
Set Asides	503,007	558,340
Bus Purchases	11,075	21,337
Unrestricted	<u>4,434,059</u>	<u>3,258,511</u>
Total Net Assets	<u>\$6,433,189</u>	<u>\$5,806,159</u>

Net assets of the governmental activities increased \$627,030, which represents an 11% increase over fiscal year 2007. The increase is the result of increased grants and contributions and property tax receipts.

A portion of the School District's net assets, \$1,485,048, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$4,948,141 may be used to meet the School District's ongoing obligations.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

Table 2 shows the changes in net assets for fiscal year 2008 as compared to fiscal year 2007.

(Table 2)
Changes in Net Assets—Cash Basis

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 1,801,290	\$ 1,730,235
Operating Grants, Contributions and Interest	4,223,059	3,304,953
Capital Grants, Contributions, and Interest	59,047	60,665
General Receipts:		
Property Taxes	8,153,909	7,891,196
Grants and Entitlements	11,745,909	11,683,692
Interest	165,041	263,770
Miscellaneous	440,380	473,913
Total Receipts	<u>26,588,635</u>	<u>25,408,424</u>
Disbursements:		
Instruction	15,272,962	14,593,018
Support Services	8,025,628	7,424,039
Non-Instructional	6,000	95,930
Operation of Food Services	1,099,349	1,044,825
Extracurricular Activities	432,551	429,856
Debt Service	1,125,115	1,120,300
Total Disbursements	<u>25,961,605</u>	<u>24,707,968</u>
Increase in Net Assets	<u>\$ 627,030</u>	<u>\$ 700,456</u>

Governmental Activities

Program receipts accounted for \$6,083,396 or 23% of total receipts of \$26,588,635.

The government relies on general receipts to fund the majority of the cost of services provided to the students. Of these general receipts, 39.7% (\$8,153,909) comes from tax levies and 57.3% (\$11,745,909) is from state and federal funding. The School District's operations are reliant upon its tax levies and the state's foundation program.

The majority of program disbursements for governmental activities are for instruction, which accounts for 58.8% of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 30.9% of governmental disbursements. The remaining 10.3% of the School District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

Table 3 shows the cost of program services and the amount of receipts directly offsetting those services for fiscal years 2008 and 2007.

(Table 3)
Governmental Activities

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 15,272,962	\$ 11,413,950	\$ 14,593,018	\$ 10,986,668
Support Services:				
Pupil and Instructional Staff	2,235,962	1,765,988	2,219,916	1,815,079
Board of Education, Administration, Fiscal and Business	2,441,754	2,326,919	2,368,145	2,307,321
Operation and Maintenance of Plant	2,222,077	2,172,048	1,996,299	1,950,463
Pupil Transportation	735,243	652,692	519,748	501,133
Central	390,592	369,526	319,931	293,811
Non-Instructional	6,000	5,000	95,930	6,192
Operation of Food Services	1,099,349	(78,607)	1,044,825	466,100
Extracurricular Activities	432,551	235,730	429,856	270,444
Debt Service	1,125,115	1,014,963	1,120,300	1,014,904
Total Disbursements	\$ 25,961,605	\$ 19,878,209	\$ 24,707,968	\$ 19,612,115

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 74% of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts and program receipts are 77% and 23%, respectively.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District has two major governmental funds: the General Fund and Permanent Improvement Fund. Receipts of the General Fund comprise \$21,465,392 (81.9%) of the total \$26,190,835 governmental funds' receipts and \$21,160,033 (81.4%) of the total \$25,985,865 governmental funds disbursements. Receipts of the Permanent Improvement generated \$296,378 (1.1%) in receipts and utilized 1.1% of the total governmental disbursements.

General Fund – The General Fund cash balance at June 30, 2008 was \$4,370,891 which represents 74.6% of total governmental funds' cash balances for fiscal year 2008. General fund receipts were more than disbursements by \$680,359, mostly due to increases in property taxes as well as intergovernmental receipts.

Permanent Improvement Fund – The Permanent Improvement Fund cash balance at June 30, 2008 was \$645,228 which represents 11.0% of total governmental funds' cash balances for fiscal year 2008. Permanent Improvement Fund receipts were more than disbursements by \$22,017.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the School District amended its General Fund budget as needed. Final disbursements were budgeted at \$22,057,440, while actual disbursements were \$21,205,771 mostly due to a decrease in regular instruction actual disbursements.

Debt Administration

At June 30, 2008, the School District had \$8,205,391 in general obligation bonds for the construction and improvement of buildings. The bonds are retired from the Bond Retirement Fund.

At June 30, 2007, the School District's overall legal debt margin was \$18,333,273, with an un-voted debt margin of \$291,179.

For further information regarding the School District's debt, see Note 10 to the basic financial statements.

Current Issues

Property tax revenue estimates are based on historical collection levels. The School District is realizing an annual decrease in its assessed valuation due to the phase out of tangible property taxes. This is reflected in the figures used for the five year forecast. 2007 was a reappraisal year for the School District. The School District is located in Logan County.

The biennial State budget (HB119) covers the State funding cycle July 1, 2007 through June 30, 2009. The effects of HB119 are still being analyzed in the education community. Even though the State per pupil funding amount increased three percent per year, over three hundred School Districts in the State received no additional State funding. Bellefontaine was one of the fortunate School Districts to receive additional State funding. Starting with the 2008 fiscal year, a portion of the funding received from the State for lost tangible revenues is received through the State Foundation program. The remaining portion is received via a direct reimbursement from the State.

The State has implemented hold harmless payments during the first five years of the personal tangible phase out. After the initial five year period, direct reimbursements will be phased out on an equal reduction schedule over the next eight years. Once completely phased out, the School District stands to lose a little over \$2,000,000 per year in personal tangible taxes unless the State enacts legislation to make the hold harmless payments permanent. The cost of doing business factor was completely phased out in HB119. The School District will lose over \$570,000 per year in State funding with the loss of this funding source.

After having emergency operating levies defeated by School District voters in May and November 2006, voters approved a 4.9 mill emergency operating levy in May 2007. The last time the School District received new additional millage for operating purposes was seventeen years ago (November 1991). The passage of this levy will bring much needed additional revenue to the School District.

Because of the financial crunch the School District has experienced the last few years, the School District made budget cuts of \$142,245 in fiscal year 2006, \$605,616 in fiscal year 2007 and \$466,140 in fiscal year 2008. Budget cuts for the last three fiscal years total \$1,214,001.

The School District continues to analyze the long-term effects of HB119 and looks for long-range funding solutions.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008

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

The School District is currently in a decent financial position. However, by no means are we out of the woods when looking down the road. Another major factor that was mentioned above was the loss of tangible property taxes. The State's reimbursement of lost tangible revenues starts phasing out in fiscal year 2011. As of now, the State has not implemented a permanent reimbursement for this revenue loss. The phase out of personal tangible property taxes continues to be a potential funding crisis for all school districts statewide along with adequate State funding through the State Foundation program.

Contacting the School District's Financial Management

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Net Assets - Cash Basis
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,433,189</u>
<i>Total Assets</i>	<u><u>\$ 6,433,189</u></u>
Net Assets	
Restricted for:	
Debt Service	\$ 332,574
Capital Outlay	646,228
Other Purposes	506,246
Set Asides	503,007
Bus Purchases	11,075
Unrestricted	<u>4,434,059</u>
<i>Total Net Assets</i>	<u><u>\$ 6,433,189</u></u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

Statement of Activities - Cash Basis

For the Fiscal Year Ended June 30, 2008

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	
Governmental Activities:					
Instruction:					
Regular	\$ 11,789,332	\$ 1,022,509	\$ 402,913	\$ 0	\$ (10,363,910)
Special	3,042,714	26,648	2,286,641	0	(729,425)
Vocational	385,103	1,555	63,410	0	(320,138)
Other	55,813	0	55,336	0	(477)
Support Services:					
Pupil	1,004,388	7,054	0	0	(997,334)
Instructional Staff	1,231,574	4,608	458,312	0	(768,654)
Board of Education	201,154	0	0	0	(201,154)
Administration	1,589,735	4,410	78,133	0	(1,507,192)
Fiscal	481,515	0	0	0	(481,515)
Business	169,350	0	32,292	0	(137,058)
Operation and Maintenance of Plant	2,222,077	0	2,057	47,972	(2,172,048)
Pupil Transportation	735,243	0	71,476	11,075	(652,692)
Central	390,592	6,457	14,609	0	(369,526)
Operation of Non-Instructional Services	6,000	0	1,000	0	(5,000)
Operation of Food Services	1,099,349	579,064	598,892	0	78,607
Extracurricular Activities	432,551	148,985	47,836	0	(235,730)
Debt Service:					
Principal	341,870	0	110,152	0	(231,718)
Interest	783,245	0	0	0	(783,245)
Totals	\$ 25,961,605	\$ 1,801,290	\$ 4,223,059	\$ 59,047	(19,878,209)
General Receipts					
Property Taxes Levied for:					
General Purposes					7,123,933
Capital Projects					248,406
Debt Service					781,570
Grants and Entitlements not Restricted to Specific Programs					11,745,909
Interest					165,041
Miscellaneous					440,380
<i>Total General Receipts</i>					<u>20,505,239</u>
Change in Net Assets					627,030
<i>Net Assets - Beginning of Year</i>					<u>5,806,159</u>
<i>Net Assets - End of Year</i>					<u><u>\$ 6,433,189</u></u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2008

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,856,809	\$ 645,228	\$ 839,820	\$ 5,341,857
Restricted Equity in Pooled Cash and Cash Equivalents	514,082	0	0	514,082
<i>Total Assets</i>	<u>\$ 4,370,891</u>	<u>\$ 645,228</u>	<u>\$ 839,820</u>	<u>\$ 5,855,939</u>
Fund Balances				
Reserved for Encumbrances	\$ 85,461	\$ 88,455	\$ 77,729	\$ 251,645
Reserved for Textbooks and Instructional Materials	422,314	0	0	422,314
Reserved for Budget Stabilization	80,693	0	0	80,693
Reserved for Bus Purchases	11,075	0	0	11,075
Unreserved:				
Undesignated, Reported in:				
General Fund	3,771,348	0	0	3,771,348
Special Revenue Funds	0	0	428,517	428,517
Debt Service Fund	0	0	332,574	332,574
Capital Projects Funds	0	556,773	1,000	557,773
<i>Total Fund Balances</i>	<u>\$ 4,370,891</u>	<u>\$ 645,228</u>	<u>\$ 839,820</u>	<u>\$ 5,855,939</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

June 30, 2008

Total Governmental Fund Balances \$5,855,939

*Amounts reported for governmental activities in the statement of
net assets are different because*

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

577,250

Net Assets of Governmental Activities \$6,433,189

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$ 7,123,933	\$ 248,406	\$ 781,570	\$ 8,153,909
Intergovernmental	13,177,804	47,972	2,477,938	15,703,714
Interest	165,041	0	389	165,430
Tuition and Fees	835,600	0	97,002	932,602
Rent	97,231	0	0	97,231
Extracurricular Activities	0	0	192,393	192,393
Gifts and Donations	0	0	279,017	279,017
Customer Sales and Services	0	0	579,064	579,064
Miscellaneous	65,783	0	21,692	87,475
<i>Total Receipts</i>	<u>21,465,392</u>	<u>296,378</u>	<u>4,429,065</u>	<u>26,190,835</u>
Disbursements				
Current:				
Instruction:				
Regular	11,244,736	962	543,634	11,789,332
Special	2,044,939	0	997,775	3,042,714
Vocational	383,552	0	1,551	385,103
Other	478	0	55,335	55,813
Support Services:				
Pupil	997,118	0	7,270	1,004,388
Instructional Staff	818,763	0	437,071	1,255,834
Board of Education	201,154	0	0	201,154
Administration	1,511,824	0	77,911	1,589,735
Fiscal	454,628	6,467	20,420	481,515
Business	169,350	0	0	169,350
Operation and Maintenance of Plant	2,082,195	137,825	2,057	2,222,077
Pupil Transportation	606,136	129,107	0	735,243
Central	355,914	0	34,678	390,592
Operation of Non-Instructional Services	5,000	0	1,000	6,000
Operation of Food Services	16,658	0	1,082,691	1,099,349
Extracurricular Activities	267,588	0	164,963	432,551
Debt Service:				
Principal	0	0	341,870	341,870
Interest	0	0	783,245	783,245
<i>Total Disbursements</i>	<u>21,160,033</u>	<u>274,361</u>	<u>4,551,471</u>	<u>25,985,865</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>305,359</u>	<u>22,017</u>	<u>(122,406)</u>	<u>204,970</u>
Other Financing Sources (Uses)				
Refund of Prior Year Disbursements	375,000	0	0	375,000
Refund of Prior Year Receipts	0	0	(396)	(396)
<i>Total Other Financing Sources (Uses)</i>	<u>375,000</u>	<u>0</u>	<u>(396)</u>	<u>374,604</u>
<i>Net Change in Fund Balances</i>	680,359	22,017	(122,802)	579,574
<i>Fund Balances - Beginning of Year</i>	<u>3,690,532</u>	<u>623,211</u>	<u>962,622</u>	<u>5,276,365</u>
<i>Fund Balances - End of Year</i>	<u>\$ 4,370,891</u>	<u>\$ 645,228</u>	<u>\$ 839,820</u>	<u>\$ 5,855,939</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds **\$579,574**

*Amounts reported for governmental activities in the
statement of activities are different because*

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

47,456

Change in Net Assets of Governmental Activities

\$627,030

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Cash Receipts, Disbursements and Changes in Fund Balance
- Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Taxes	\$ 7,144,716	\$ 7,123,933	\$ 7,123,933	\$ 0
Intergovernmental	13,743,246	13,189,697	13,177,804	(11,893)
Interest	250,000	166,000	165,041	(959)
Tuition and Fees	901,246	833,608	835,600	1,992
Rent	22,000	97,000	97,231	231
Miscellaneous	38,000	63,000	65,783	2,783
<i>Total Receipts</i>	<u>22,099,208</u>	<u>21,473,238</u>	<u>21,465,392</u>	<u>(7,846)</u>
Disbursements				
Current:				
Instruction				
Regular	11,721,646	11,769,527	11,242,779	526,748
Special	1,939,821	1,955,461	2,045,602	(90,141)
Vocational	544,199	548,666	397,630	151,036
Other	0	0	478	(478)
Support Services				
Pupil	1,007,771	1,006,805	997,797	9,008
Instructional Staff	920,763	923,403	826,859	96,544
Board of Education	212,353	262,518	208,297	54,221
Administration	1,547,520	1,565,220	1,513,019	52,201
Fiscal	388,367	442,601	454,628	(12,027)
Business	180,681	182,037	169,350	12,687
Operation and Maintenance of Plant	2,103,213	2,189,851	2,096,865	92,986
Pupil Transportation	517,312	541,477	606,289	(64,812)
Central	325,655	327,228	356,682	(29,454)
Operation of Non-Instructional Services	5,000	5,000	5,000	0
Operation of Food Services	14,718	14,718	16,658	(1,940)
Extracurricular Activities	322,678	322,678	267,588	55,090
Capital Outlay	250	250	250	0
<i>Total Disbursements</i>	<u>21,751,947</u>	<u>22,057,440</u>	<u>21,205,771</u>	<u>851,669</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>347,261</u>	<u>(584,202)</u>	<u>259,621</u>	<u>843,823</u>
Other Financing Sources (Uses)				
Refunds of Prior Year Disbursements	0	375,000	375,000	0
Transfers Out	(25,000)	(24,282)	0	24,282
Other Financing Uses	(25,000)	(16)	0	16
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>350,702</u>	<u>375,000</u>	<u>24,298</u>
<i>Net Change in Fund Balances</i>	297,261	(233,500)	634,621	868,121
<i>Fund Balances - Beginning of Year</i>	3,530,445	3,530,445	3,530,445	0
<i>Prior Year Encumbrances Appropriated</i>	160,087	160,087	160,087	0
<i>Fund Balances - End of Year</i>	<u>\$ 3,987,793</u>	<u>\$ 3,457,032</u>	<u>\$ 4,325,153</u>	<u>\$ 868,121</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Fund Net Assets - Cash Basis
Proprietary Fund
June 30, 2008

	<u>Governmental Activities</u>
	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 577,250
<i>Total Assets</i>	<u>\$ 577,250</u>
Net Assets	
Unrestricted	\$ 577,250
<i>Total Net Assets</i>	<u>\$ 577,250</u>

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2008

	Governmental Activities
	Internal Service
	Fund
Operating Receipts	
Charges for Services	\$ 2,900,457
Operating Disbursements	
Claims	2,431,469
Administration Fees	444,728
	2,876,197
<i>Total Operating Disbursements</i>	
<i>Operating Income</i>	24,260
Non-Operating Receipts	
Interest	23,196
	47,456
<i>Change in Net Assets</i>	
<i>Net Assets - Beginning of Year</i>	529,794
<i>Net Assets - End of Year</i>	\$ 577,250

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	Agency
Assets		
Equity Pooled in Cash and Cash Equivalents	\$ 65,935	\$ 96,099
<i>Total Assets</i>	\$ 65,935	\$ 96,099
Net Assets		
Endowments	\$ 36,891	\$ 0
Held in Trust for:		
Scholarships	29,044	0
Student Activities	0	96,099
<i>Total Net Assets</i>	\$ 65,935	\$ 96,099

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
Additions	
Interest	\$ 3,260
Deductions	
Payments in Accordance with Trust Agreements	2,500
<i>Change in Net Assets</i>	760
<i>Net Assets - Beginning of Year</i>	65,175
<i>Net Assets - End of Year</i>	\$ 65,935

See accompanying notes to the basic financial statements.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately 31 square miles in Logan County, including all of the City of Bellefontaine, Ohio, and portions of surrounding townships.

The School District currently operates three elementary schools, one middle school and one comprehensive high school. The School District is staffed by 125 non-certificated employees, 221 certificated employees to provide services to approximately 2,713 students and other community members.

Reporting Entity

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

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

The School District is associated with three jointly governed organizations, one joint venture, and one insurance purchasing pool. These organizations include the Ohio Hi-Point Career Center, State Support Team Region 6, the Logan County Education Foundation, the Joint Recreation School District (Blue Jacket Park) and the Hunter Consulting Company Worker's Compensation Group Rating Plan. These organizations are presented in Notes 11, 12 and 13 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Accounting

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

The School District also reports investments as assets, valued at cost.

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

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

B. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

C. Fund Accounting

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

1. Governmental Funds:

Governmental funds are those through which most governmental functions of the School District are financed.

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

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

2. Proprietary Fund

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

3. Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organization, or other governmental units and are not available to support the School District’s own programs. The School District’s fiduciary funds include private purpose trust and agency funds. The School District’s private purpose trust funds account for endowments and programs that provide college scholarships for students after graduation. Agency funds are custodial in nature (cash equals net assets) and do not involve measurement of results of operations. The School District’s agency funds account for various student-managed activities.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

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

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

Tax Budget

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

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

Estimated Resources

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations

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

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

Encumbrances

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

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

E. Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to STAROhio, a money market and repurchase agreements. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price for which the investment could be sold on June 30, 2008.

Following Ohio Statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 were \$165,401, which includes approximately \$43,909 interest assigned from other School District funds.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months or that were purchased from the cash management pool are reported as investments.

F. Property, Plant and Equipment

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

G. Compensated Absences

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

H. Long-term Debt

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

I. Intergovernmental Receipts

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

J. Inventory

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

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

1. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2008, there were no net assets restricted by enabling legislation.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

FUND FINANCIAL STATEMENTS

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

M. Interfund Activity

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

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

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

N. Receipts and Disbursements

Program Receipts

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

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

Disbursements

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

NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the fiscal year ended June 30, 2008, the School District has implemented GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, and GASB Statement No. 50, “Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.”

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES (continued)

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", to conform with requirements of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

BELLEFONTAINE CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least one hundred 5% of the deposits being secured.

At fiscal year end, the carrying amount of the School District's deposits was \$2,418,533 and the bank balance was \$2,467,494. Of the School District's bank balance, \$300,000 was covered by federal depository insurance, leaving \$2,167,494 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent not in the School District's name.

As of June 30, 2008 the School District has \$194 in undeposited cash on hand. This amount is included in cash and cash equivalents.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of June 30, 2008, the School District had the following investments:

<u>Investment Type</u>	<u>Carrying and Fair Value</u>	<u>Maturities Less than 1 Year</u>	<u>% of Total Portfolio</u>
Repurchase Agreements	\$ 241,238	\$ 241,238	5.78%
Money Market	880,071	880,071	21.07
STAROhio	3,055,187	3,055,187	73.15
Total Investments	<u>\$ 4,176,496</u>	<u>\$ 4,176,496</u>	<u>100.00%</u>

Interest Rate Risk

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

Custodial Credit Risk

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

Credit Risk

The School District's investments at June 30, 2008, in the repurchase agreements' underlying investments including U.S. Agency bonds, a money market fund and STAROhio are rated AAA by Standard & Poor's.

Concentration of Credit Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. More than 5% of the School District's investments are in Repurchase Agreements, a Money Market and STAROhio. These investments are 5.78%, 21.07% and 73.15%, respectively, of the School District's total investments for the amounts listed above.

NOTE 5 - PROPERTY TAXES

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 5 - PROPERTY TAXES (continued)

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of the prior December 31. For 2007, tangible personal property is assessed at 12.5% for property. This percentage will be reduced to 6.25% for 2008 and zero for 2009.

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

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

The School District receives property taxes from Logan County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$239,457,570	87%	\$261,064,540	90%
Public Utility Personal	9,098,100	3%	7,554,550	2%
Tangible Personal Property	27,158,176	10%	22,559,683	8%
Total	<u>\$275,713,846</u>	<u>100%</u>	<u>\$291,178,773</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$48.58		\$52.43	

NOTE 6 – RISK MANAGEMENT

A. Public Liability

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

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008**

NOTE 6 – RISK MANAGEMENT (continued)

B. Health Care Benefits

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

C. Workers' Compensation

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

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

D. Self Insurance

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

	2008	2007
Cash	\$577,250	\$529,794
Estimated Liabilities	\$398,080	\$442,569

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The School District's required contributions for pension obligations to the DBP for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,073,364, \$1,157,847, and \$1,648,988 respectively; 87% has been contributed for fiscal year 2008, and 100% for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$42,308 made by the School District and \$20,923 made by the plan members.

B. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contribution for obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$267,436, \$260,507, and \$285,145 respectively. The School District has paid all contributions required through June 30, 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2008, four of the Board of Education members have elected Social Security.

NOTE 8 - POST EMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$82,566, \$82,703 and \$117,785, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68%. The School District's contributions for the year ended June 30, 2008 were \$18,185, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 8 – POST EMPLOYMENT BENEFITS (continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$105,026, \$101,268 and \$91,237, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at \$35,800.

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

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

NOTE 9 – DEBT OBLIGATIONS

The following is a description of the School District's bonds outstanding as of June 30, 2008:

	Interest Rate	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amount Due Within One Year
1993 Bond Issue	2.7-4.4%	\$ 487,261	\$ 0	\$ 116,870	\$ 370,391	\$ 106,361
1999 Bond Issue	4.7-4.9%	715,000	0	225,000	490,000	240,000
2005 Bond Issue	5.0-5.5%	7,345,000	0	0	7,345,000	0
Total Debt Obligation		\$ 8,547,261	\$ 0	\$ 341,870	\$ 8,205,391	\$ 346,361

1993 Refunding Bond Issue - In December 1993, the School District issued \$4,923,935 in general obligation bonds, dated March 1, 1990, at a premium for \$5,300,000, issued for the purpose of renovating the middle school, furnishing and equipping the same and improving the site thereof, and removing asbestos at various buildings. The bond issue consisted of \$4,000,000 of Current Interest Serial Bonds with interest rates ranging from 2.65 to 4.40% and \$923,935 of Capital Appreciation Serial Bonds with stated interest rates ranging from 10.3 to 10.4% (or the rate that, when applied to the original principal amount, compounded semi-annually results in the maturity amount) for an approximate yield to maturity of 5.1% to 5.6%. The bonds will be retired from the Debt Service Fund. The source of payment is derived from current 2.70 mill and current 2.60 mill bonded debt tax levies.

The Current Interest Serial Bonds will bear interest, payable on June 1 and December 1 of each year, beginning June 1, 1994 until maturity or earlier redemption.

The Capital Appreciation Bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The Capital Appreciation Bonds will mature through fiscal year 2012. The maturity amount of all the capital appreciation bonds totals \$3,900,000.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 9 – DEBT OBLIGATIONS (continued)

The accreted amount for fiscal year 2008 was \$103,695, and the amount of the bonds outstanding including accreted interest at June 30, 2008 is \$1,741,808.

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

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

2005 General Obligation Advance Refunding Bonds - In April 2005, the School District issued \$7,475,000 in voted general obligation bonds for the purpose of refunding a portion of the 1999 School Improvement Bonds originally issued in the principal amount of \$7,485,000 for the purpose of additions and renovations to the High School. The refunding bond issue consists of \$3,760,000 in serial bonds and \$3,715,000 in term bonds. The serial bonds have interest rates at 5.0% and yield rates from 2.45 to 4.22%. Term bonds in the amount of \$1,950,000 have a 5.5% interest rate with final maturity on December 1, 2023. Term bonds in the amount of \$1,765,000 have a 5.5% interest rate with final maturity on December 1, 2026. The bonds will be retired from the Debt Service Fund. The source of payment is derived from current 2.70 mill and current 2.60 mill bonded debt facilities tax levies.

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

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

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 9 – DEBT OBLIGATIONS (continued)

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

Fiscal Year Ending June 30,	1993 Bond Issue	1999 Bond Issue	2005 Bond Issue	Interest	Total
2009	\$ 106,361	\$ 240,000	\$ 0	\$ 782,534	\$ 1,128,895
2010	97,882	250,000	0	784,068	1,131,950
2011	88,528	0	265,000	780,672	1,134,200
2012	77,620	0	280,000	762,955	1,120,575
2013	0	0	295,000	351,200	646,200
2014-2018	0	0	1,775,000	1,502,500	3,277,500
2019-2023	0	0	2,435,000	958,600	3,393,600
2024-2027	0	0	2,295,000	260,838	2,555,838
Total	<u>\$ 370,391</u>	<u>\$ 490,000</u>	<u>\$7,345,000</u>	<u>\$6,183,367</u>	<u>\$14,388,758</u>

The School District's overall debt margin was \$18,333,273 with an unvoted debt margin of \$291,179 at June 30, 2008.

NOTE 10 - SET ASIDE REQUIREMENTS

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. For the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization
Set-aside balance as of June 30, 2007	\$ 477,647	\$ 0	\$ 80,693
Current Year Required Set-Aside	437,204	437,204	0
Current Year Offsets	0	(296,378)	0
Current Year Qualifying Disbursements	(492,537)	(498,366)	0
Total	<u>\$ 422,314</u>	<u>\$ (357,540)</u>	<u>\$ 80,693</u>
Set-aside balance carried forward to FY 2009	<u>\$ 422,314</u>		<u>\$ 80,693</u>
Prior Year Offsets carried forward		\$ (1,025,285)	
Offset balance carried forward to FY 2009		<u>\$ (1,025,285)</u>	

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the Capital Maintenance Reserve. A portion of this extra amount which represents proceeds from bonds, \$1,025,285, may be used to reduce the set-aside requirements for future years. Senate Bill 345 eliminated the requirement to set aside additional reserves for budget stabilization. The reserve for budget stabilization balance represents the set aside required for Bureau of Workers' Compensation refunds.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Hi-Point Career Center

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. State Support Team Region 6

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

C. Logan County Education Foundation

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

NOTE 12 – JOINT VENTURE

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

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

NOTE 13 – INSURANCE PURCHASING POOL

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

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

NOTE 14 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

NOTE 15 – INTERFUND TRANSFERS

There were no transfers between funds during the fiscal year ended June 30, 2008.

NOTE 16 – ACCOUNTABILITY AND COMPLIANCE

During fiscal year 2008, the School District had various funds with deficit cash fund balances of immaterial amounts. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed. The deficit fund balances have been reported to the School District in the management letter.

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2008, the School District prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

2300 Baton Rouge Avenue
Lima, Ohio 45805-1130
PH 419-331-1040
FAX 419-331-1120
www.reacpa.com

We're Ready For Your Future

December 15, 2008

The Board of Education
Bellefontaine City School District
Bellefontaine, Ohio 43311

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Bellefontaine City School District, Logan County, Ohio (the School District) as of and for the year ended June 20, 2008, and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We noted certain matters that we reported to management of the School District in a separate letter dated December 15, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an

Bellefontaine City School District
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards
Page 2

instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2008-001.

We noted certain matters that we reported to management of the School District in a separate letter dated December 15, 2008.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

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December 15, 2008

The Board of Education
Bellefontaine City School District
Bellefontaine, Ohio 43311

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

Compliance

We have audited the compliance of the Bellefontaine City School District, Logan County, Ohio (the School District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The School District's management. Our responsibility is to express an opinion on The School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of

compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**Schedule of Federal Receipts and Disbursements
For Fiscal Year Ended June 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grantor's Number	Federal Receipts	Federal Disbursements	Non-Cash Transactions
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title I - Grants to Local Educational Agencies	84.010	C1S1-2007	\$ 143,941	\$ 143,324	\$ 0
Title I - Grants to Local Educational Agencies	84.010	C1S1-2008	618,317	610,898	0
Title I - Grants to Local Educational Agencies	84.010	C1SD-2007	2,040	14	0
Title I - Grants to Local Educational Agencies	84.010	C1SD-2008	23,470	22,370	0
			<u>787,767</u>	<u>776,606</u>	<u>0</u>
Special Education Grants to State	84.027	6BSD-2007	132,731	115,130	0
Special Education Grants to State	84.027	6BSF-2008	501,618	497,184	0
			<u>634,349</u>	<u>612,314</u>	<u>0</u>
Safe & Drug Free Schools and Communities	84.186	DRS1-2007	4,666	5,079	0
Safe & Drug Free Schools and Communities	84.186	DRS1-2008	6,769	6,286	0
			<u>11,435</u>	<u>11,365</u>	<u>0</u>
State Grants for Innovative Program	84.298	C2S1-2007	2,929	3,921	0
State Grants for Innovative Program	84.298	C2S1-2008	4,101	8,485	0
			<u>7,030</u>	<u>12,406</u>	<u>0</u>
Education Technology State Grants	84.318	TJS1-2007	3,973	1,724	0
Education Technology State Grants	84.318	TJS1-2008	6,788	3,582	0
			<u>10,761</u>	<u>5,306</u>	<u>0</u>
English Language Acquisition Grants	84.365	T3S1-2007	0	1,532	0
English Language Acquisition Grants	84.365	T3S1-2008	0	8,168	0
			<u>0</u>	<u>9,700</u>	<u>0</u>
Improving Teacher Quality State Grant	84.367	TRS1-2007	47,900	51,748	0
Improving Teacher Quality State Grant	84.367	TRS1-2008	123,745	121,051	0
			<u>171,645</u>	<u>172,799</u>	<u>0</u>
Total Department of Education			<u>1,622,987</u>	<u>1,600,496</u>	<u>0</u>
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
Nutrition Cluster:					
Non-cash Assistance (Food Distribution)					
National School Lunch Program	10.555		71,563	0	80,395
Cash Assistance					
School Breakfast Program	10.553		100,726	100,726	0
National School Lunch Program	10.555		400,163	400,163	0
<i>Cash Assistance Subtotal</i>			<u>500,889</u>	<u>500,889</u>	<u>0</u>
Total Nutrition Cluster			<u>572,452</u>	<u>500,889</u>	<u>80,395</u>
Child and Adult Care Food Program	10.558		285	285	0
Total Department of Agriculture			<u>572,737</u>	<u>501,174</u>	<u>80,395</u>
Total Federal Financial Assistance			<u>\$ 2,195,724</u>	<u>\$ 2,101,670</u>	<u>\$ 80,395</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CASH BASIS
June 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

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

BELLEFONTAINE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 , Section .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Nutrition Cluster: # 10.553 # 10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

Finding 2008-001 Ohio Administrative Code Section 117-2-03 (repeat of 2007-001)

Ohio Admin. Code Section 117-2-03 states that the School District is to prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year 2008, the District reported its financial statements on the cash basis of accounting with a GASB 34 presentation, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, fund liabilities, equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

BELLEFONTAINE CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Ohio Admin. Code Section 117-2-03 The School District prepared its financial statements on the cash basis of accounting rather than in accordance with GAAP.	NO	A Repeat finding 2008-001

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2008**

Responsible Contact Person: Keith Kreiger, Treasurer

Identifying Number: 2008-001

Finding: Ohio Admin. Code Section 117-2-03 states that the School District is to prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year 2008, the District reported its financial statements on the cash basis of accounting with a GASB 34 presentation, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, fund liabilities, equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District, and restate the reportable condition, compliance finding and/or issue of questioned costs.

Corrective Actions Taken or Planned:

No corrective action plan will be implemented. The District plans to continue reporting on the cash basis.



Mary Taylor, CPA
Auditor of State

BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 5, 2009**