



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – June 30, 2016 .....	12
Statement of Activities – For the Fiscal Year ended June 30, 2016.....	13
Fund Financial Statements:	
Balance Sheet	
Governmental Funds –June 30, 2016.....	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – June 30, 2016.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds – For the Fiscal Year Ended June 30, 2016.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – For the Fiscal Year Ended June 30, 2016 .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund - Budget (Non-GAAP) and Actual For the Fiscal Year Ended June 30, 2016 .....	18
Statement of Fiduciary Net Position – Fiduciary Funds - June 30, 2016 .....	19
Statement of Changes in Fiduciary Net Position – Private Purpose Trust For the Fiscal Year Ended June 30, 2016 .....	20
Notes to the Basic Financial Statements .....	21
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability .....	50
Schedule of District's Contributions .....	51
Schedule of Federal Awards Expenditures (Prepared by Management) .....	53
Notes to the Schedule of Federal Awards Expenditures (Prepared by Management).....	54

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

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	55
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	57
Schedule of Findings.....	59



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Bellbrook-Sugarcreek Local School District  
Greene County  
3757 Upper Bellbrook Road  
Bellbrook, OH 45305

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellbrook-Sugarcreek Local School District, Greene County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bellbrook-Sugarcreek Local School District, Greene County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Federal Awards Expenditures presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 20, 2017

# BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016 (Unaudited)

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The discussion and analysis of the Bellbrook-Sugarcreek Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

*Overall:*

- Total net position decreased from a deficit of \$27.4 million at the beginning of the year to a \$27.7 million deficit at the end of the year.
- Total assets of governmental activities decreased by \$620,525 as the decrease in capital assets was larger than the increase in taxes receivable reported at year end. Capital assets decreased as depreciation expense exceeded additions for the current year. Property taxes receivable increased due to the replacement operating levy passed by voters in May 2015.
- Total liabilities increased by \$3.5 million due to the \$4.9 million increase in net pension liability reported at year end.
- General revenues accounted for \$28.4 million or 89.8 percent of total revenue. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions account for approximately \$3.2 million or 10.2 percent of total revenues of \$31.6 million.
- The general fund of the School District ended fiscal year 2016 with a fund balance of \$3.1 million, a decrease of \$520,093 when compared to that reported for the prior fiscal year. Management continued its efforts to control expenditures during the year as promised to voters during the last property tax levy campaign.

### Using the Basic Financial Statements

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

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

# BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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## **Reporting the School District as a Whole**

### *Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

## **Reporting the School District's Most Significant Funds**

### *Fund Financial Statements*

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

### Governmental Funds

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



**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position at June 30, 2016 compared to one year prior:

TABLE 1  
NET POSITION

	<u>2016</u>	<u>2015</u>
<i>Assets</i>		
Current and Other Assets	\$ 27,874,082	\$ 27,482,027
Capital Assets, Net	<u>44,257,101</u>	<u>45,269,681</u>
Total Assets	72,131,183	72,751,708
<i>Deferred Outflows of Resources:</i>		
Deferred Charge on Refunding Pension	687,929	741,270
	<u>4,124,037</u>	<u>2,340,742</u>
Total Deferred Outflows of Resources	4,811,966	3,082,012
<i>Liabilities:</i>		
Current Liabilities	3,322,356	3,086,832
Long-Term Liabilities:		
Net Pension Liabilities	36,294,781	31,361,584
Other Long-Term Liabilities	<u>43,409,991</u>	<u>45,067,097</u>
Total Liabilities	83,027,128	79,515,513
<i>Deferred Inflows of Resources:</i>		
Property Taxes	19,223,857	18,074,889
Pension	<u>2,439,146</u>	<u>5,678,865</u>
Total Deferred Inflows of Resources	21,663,003	23,753,754
<i>Net Position:</i>		
Investment in Net Capital Assets	5,343,826	4,109,517
Restricted	1,027,386	1,113,957
Unrestricted (Deficit)	<u>(34,118,194)</u>	<u>(32,659,021)</u>
Total Net Position	<u>\$(27,746,982)</u>	<u>\$(27,435,547)</u>

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

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

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016 (Unaudited)

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

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

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

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

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

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2016, the net position of the School District was a deficit of \$27.7 million due primarily to the recognition of the School District's proportionate share of the retirement system's net pension liability. If the components of recording the net pension liability are removed from the Statement of Net Position, the School District's ending net position would be approximately \$6.9 million. We feel this is important to mention as the management of the School District has no control over the management of the State-wide pension funds or the pension benefits offered; both of which control the net pension liability amount which has a significant effect on the School District's financial statements.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

Net position invested in net capital assets reported at the end of fiscal year 2016 was \$1.2 million more than that reported one year prior. This increase resulted as the payment of scheduled capital related debt service during the fiscal year exceeding the decrease in the value of the capital assets, net of accumulated depreciation, during the same period. The portion subject to external restrictions upon its use (\$1.0 million) reported at June 30, 2016 was \$86,571 less than the restricted net position amount reported at the end of fiscal year 2015 as the School District utilized resources restricted for capital projects during the current fiscal year. The remaining deficit of net position of \$34.1 million is reported as unrestricted. As the effect of recognizing the net pension liability is closed through unrestricted net position, the decrease in unrestricted net position deficit for the fiscal year was expected due to the significant increase in the net pension liability reported at year end.

Total assets reported at June 30, 2016 decreased by \$620,525 from those reported at the beginning of the year. This decrease resulted from the decrease in the value of net capital assets being larger than the increase reported for current and other assets for the year. The amount reported for the School District's net capital assets decreased by \$1.0 million, 2.2 percent, as compared to those reported at the end of the prior fiscal year. This decrease was attributed to depreciation expense of \$2.2 million exceeding the current year capital asset additions of \$1.2 million. Current and other assets increase by 392,055 during the year due to the increase in property taxes receivable resulting from the higher tax rates established by the replacement operating levy approved by voters in May 2015. The School District started collecting the additional tax revenue during the fiscal half of calendar year 2016.

Total liabilities increased by \$3.5 million during the fiscal year as the liability reported for the School District's proportionate share of the net pension liability increased by \$4.9 million over the year which was partially offset by the \$2.1 million of debt service payments made during the year on long-term obligations. Increases in accrued wages and compensated absences during the year account for the remainder of the increase in the total liabilities reported. The changes in deferred outflows and inflows of resources are due to the overall changes net pension liability components reported by the State-wide pension systems.

Table 2 shows the changes in net position for fiscal years 2016 and 2015.

TABLE 2  
CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>
<i>Revenues:</i>		
Program Revenues:		
Charges in Services & Sales	\$ 1,925,590	\$ 1,961,863
Operating Grants & Contributions	1,188,292	1,170,012
Capital Grants & Contributions	110,207	123,968
General Revenues:		
Property taxes	19,428,007	18,537,430
Grants & Entitlements	8,859,741	8,632,048
Other	111,362	36,481
Total Revenues	<u>31,623,199</u>	<u>30,461,802</u>

(Continued)

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2016  
 (Unaudited)

TABLE 2  
 CHANGES IN NET POSITION  
 (Continued)

	<u>2016</u>	<u>2015</u>
<i>Program Expenses:</i>		
Instruction	15,756,266	15,096,643
Support Services:		
Pupils and Instructional Staff	2,506,079	2,080,691
Board of Education, Administration, Fiscal and Business	3,095,725	2,881,159
Plant Operation and Maintenance	2,550,043	2,549,566
Pupil Transportation	1,743,568	1,457,011
Central	85,731	59,366
Operation of Non-Instructional Services	881,598	752,984
Extracurricular Activities	1,456,078	1,489,466
Unallocated Depreciation	1,845,242	1,794,980
Interest and Fiscal Charges	<u>2,014,304</u>	<u>2,001,784</u>
Total Expenses	<u>31,934,634</u>	<u>30,163,650</u>
<i>Change in Net Position</i>	(311,435)	298,152
<i>Beginning Net Position</i>	<u>(27,435,547)</u>	<u>(27,733,699)</u>
<i>Ending Net Position</i>	<u><u>\$(27,746,982)</u></u>	<u><u>\$(27,435,547)</u></u>

(Concluded)

As shown in Table 2, \$28.4 million, or 89.8 percent, of the School District's total revenue is derived from general revenues, essentially property taxes and state entitlement programs. Overall, total revenue increased by \$1.2 million, or 3.8 percent, compared with fiscal year 2015 amounts. Property tax revenues increased by \$890,577 (4.8 percent), as the School District started to collect the additional tax revenue generated by the replacement levy approved by voters in May 2015 in the second half of the current fiscal year. Fiscal year 2017 will be the first full year of collection of the additional revenue. The 2.6 percent increase in unrestricted grants and entitlements was due to additional funding received from the State of Ohio compared with those received in the prior year. Program revenue reported for the current year (\$3.2 million) was slightly less during fiscal year 2016 with no category of the program revenue accounts reporting any significant change.

Total expenses of the School District increased by \$1.8 million (5.9 percent) from the amount reported in the prior year. This increase was expected as the School District reinstated some of the positions and programs it had cut prior to the approval of the replacement levy. The significant factor in the higher cost related to additional personnel as well as increases in cost of personnel (wages and benefits) reported for the year. It is important to note that while total expenses did increase for the year, the majority of that increase affected instructional functions which directly affect students and the learning environment.

Some of the School District's activities are financed through user charges, tuition and fees, and/or specific grants or contributions. These revenue sources are defined as program revenues, and the statement of activities shows these revenues in conjunction with the expenses of the School District to present the net cost of each function reported by the School District; that is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Table 3 shows the net cost of service reported for fiscal year 2016 compared with those reported for fiscal year 2015.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

TABLE 3  
NET COST OF SERVICE

	<u>2016</u>	<u>2015</u>
Instruction	\$ 14,388,456	\$ 13,681,726
Support Services:		
Pupils and Instructional Staff	2,400,688	2,003,585
Board of Education, Administration, Fiscal and Business	3,088,808	2,873,269
Plant Operation and Maintenance	2,474,639	2,476,792
Pupil Transportation	1,672,466	1,396,380
Central	85,731	59,366
Operation of Non-Instructional Services	93,785	18,990
Extracurricular Activities	646,426	600,935
Unallocated Depreciation	1,845,242	1,794,980
Interest and Fiscal Charges	<u>2,014,304</u>	<u>2,001,784</u>
Total Net Cost of Service	<u>\$ 28,710,545</u>	<u>\$ 26,907,807</u>

In fiscal year 2016, 90.0 percent of the School District's expenses were financed through property taxes and state foundation revenues (general revenues); virtually identical to the percentage reported for the prior year. In fiscal year 2016, the School District had program revenues totaling \$3.2 million, a decrease of \$31,754 from those reported for the prior fiscal year. None of the program revenue accounts reported any significant variation from the prior year. The level of costs covered by general revenue makes it apparent the School District is extremely reliant on property taxes and unrestricted intergovernmental funding.

**The School District's Funds**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$31.8 million and expenditures of \$32.6 million. The net decrease in total governmental fund balance of \$831,729 resulted in an overall fund balance of \$5.4 million for the governmental funds; \$2.2 million of which is restricted for various purposes including debt service, capital improvements, student activities, and food service operations.

The School District's general fund, the primary operating fund, ended fiscal year 2016 with an unassigned fund balance of \$3.0 million; a decrease of \$171,054 from the unassigned fund balance reported one year prior. Overall, the revenues of the general fund were \$1.6 million more than those reported for the prior year primarily due to the increase in property tax revenue resulting from the previously mention replacement levy. Despite the increase in revenue and the increase in expenditures and transfers out reported for the year, ending fund balance decreased by \$520,093.

The fund balance of the bond retirement fund decreased by \$229,735 during the year resulting in a \$1.2 million ending fund balance. Due to the nature of the bond levy, the revenues and expenditures of the bond retirement fund will not equal one another in any one particular year, however over the life of the bond issue, the tax receipts and debt service payments should equate to one another.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016  
(Unaudited)

The permanent improvement fund ended the fiscal year with a fund balance of \$894,834; a decrease of \$55,387 from the prior year ending fund balance. The majority of this decrease is due to the completion of the energy conservation projects in the school facilities for which bonds were issued in the prior fiscal year.

**General Fund Budgeting Highlights**

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

For the General Fund, budget basis actual revenue was \$25.9 million as compared to the original budget estimates of \$25.4 million. The School District did not change its revenue expectations during the year. Actual revenue exceeded final revenue estimates by \$422,695 as the actual receipts for property taxes and intergovernmental receipts were higher than the conservative estimates used by management.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$24.8 million, which was \$326,688 (1.3 percent) more than what was budgeted prior to the start of the fiscal year. The increases in the anticipated budgeted expenditure during the year for regular instruction were associated with instructional program changes anticipated to take place during the year. Various budgetary amendments during the year increased the School District's budgeted expenditures by 1.7 percent, or \$422,255.

**Capital Assets**

At the end of fiscal year 2016, the School District had \$44.3 million invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles in governmental activities. Table 4 shows fiscal year 2016 balances compared to the 2015 balances. For additional detail on the School District's capital assets readers should review Note 10 to the basic financial statements.

TABLE 4  
CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Land	\$ 3,432,055	\$ 3,432,055
Construction in Progress	-	1,375,820
Land Improvements	5,255,831	5,255,831
Buildings and Improvements	60,935,458	58,903,679
Furniture and Equipment	1,841,880	1,832,540
Vehicles	2,803,634	2,521,416
Less: Accumulated Depreciation	<u>(30,011,757)</u>	<u>(28,051,660)</u>
Total Capital Assets	<u>\$ 44,257,101</u>	<u>\$ 45,269,681</u>

Overall, net capital assets decreased by \$1.0 million compared to the fiscal year 2015 amount. The decrease in capital assets results from the amount of depreciation being charged for the fiscal year exceeding the amount of new capital assets reported the fiscal year.

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

Greene County, Ohio

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016 (Unaudited)

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During fiscal year 2016, the School District reported \$655,959 of capital asset additions related to the energy conservation improvements projects and improvements to athletic fields which were completed during the year. Purchase of busses and other equipment during the year totaled \$574,720. Total capital asset additions for the year amounted to \$1.2 million. Depreciation expense reported for fiscal year 2016 was \$2.2 million.

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

#### **Debt Administration**

At June 30, 2016, the School District had a total of two general obligation bond issues and one energy conservation bond issue outstanding with outstanding principal of \$35.5 million and \$1.7 million, respectively; \$1.5 million of these obligations are due within one year.

The School District also has \$3.2 million of outstanding liability at year end associated with capital leases entered into in prior years to finance certain improvements.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Notes 13 and 14 to the basic financial statements.

#### **Contacting the School District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash, cash equivalents, and investments	\$ 7,670,893
Cash and cash equivalents with fiscal agents	8,181
Receivables:	
Accounts	112,902
Property and other taxes	20,082,106
Capital Assets:	
Non-depreciable	3,432,055
Depreciable, net of accumulated depreciation	<u>40,825,046</u>
Total Assets	<u>72,131,183</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	687,929
Pension	<u>4,124,037</u>
Total Deferred Outflows of Resources	<u>4,811,966</u>
Liabilities:	
Accounts payable	253,139
Accrued wages and benefits payable	2,249,896
Intergovernmental payable	641,968
Matured compensated absences	38,000
Accrued interest payable	139,353
Long Term Liabilities:	
Due within one year	1,874,920
Due in more than one year	
Net pension liability	36,294,781
Other amounts due in more than one year	<u>41,535,071</u>
Total Liabilities	<u>83,027,128</u>
Deferred Inflows of Resources:	
Property taxes not levied to finance current fiscal year operations	19,223,857
Pension	<u>2,439,146</u>
Total Deferred Inflows of Resources	<u>21,663,003</u>
Net Position:	
Investment in net capital assets	5,343,826
Restricted for:	
Capital projects	886,746
Student activities	138,429
Other purposes	2,211
Unrestricted	<u>(34,118,194)</u>
Total Net Position	<u>\$ (27,746,982)</u>

See accompanying notes to the basic financial statements.



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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities
<i>Governmental Activities:</i>					
<i>Instruction:</i>					
Regular	\$ 11,593,759	\$ 580,725	\$ 14,827	\$ -	\$ (10,998,207)
Special	4,154,225	-	772,258	-	(3,381,967)
Vocational	8,282	-	-	-	(8,282)
<i>Support Services:</i>					
Pupils	1,194,303	33,529	26,998	-	(1,133,776)
Instructional staff	1,311,776	-	44,864	-	(1,266,912)
Board of education	105,450	-	-	-	(105,450)
Administration	2,076,784	490	6,427	-	(2,069,867)
Fiscal	711,420	-	-	-	(711,420)
Business	202,071	-	-	-	(202,071)
Operation and maintenance of plant	2,550,043	65,204	-	10,200	(2,474,639)
Pupil transportation	1,743,568	71,102	-	-	(1,672,466)
Central	85,731	-	-	-	(85,731)
Operation of non-instructional services	881,598	570,860	216,953	-	(93,785)
Extracurricular activities	1,456,078	603,680	105,965	100,007	(646,426)
Interest and fiscal charges	2,014,304	-	-	-	(2,014,304)
Unallocated depreciation *	1,845,242	-	-	-	(1,845,242)
Total Governmental Activities	<u>\$ 31,934,634</u>	<u>\$ 1,925,590</u>	<u>\$ 1,188,292</u>	<u>\$ 110,207</u>	<u>(28,710,545)</u>
<i>General Revenues:</i>					
<i>Property taxes levied for:</i>					
					16,113,368
					2,647,906
					666,733
					8,859,741
					(76)
					111,438
Total General Revenues					<u>28,399,110</u>
Changes in net position					(311,435)
Net position at beginning of year					<u>(27,435,547)</u>
Net position at end of year					<u>\$ (27,746,982)</u>

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

See accompanying notes to the basic financial statements.

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Bond Retirement	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 5,402,967	\$ 1,096,052	\$ 1,031,234	\$ 140,640	\$ 7,670,893
Cash and Cash Equivalents:					
With Fiscal Agent	-	-	-	8,181	8,181
Receivables:					
Taxes	17,017,608	2,389,026	675,472	-	20,082,106
Accounts	112,902	-	-	-	112,902
<b>Total Assets</b>	<b>\$ 22,533,477</b>	<b>\$ 3,485,078</b>	<b>\$ 1,706,706</b>	<b>\$ 148,821</b>	<b>\$ 27,874,082</b>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 90,787	\$ -	\$ 162,352	\$ -	\$ 253,139
Accrued Wages and Benefits	2,249,896	-	-	-	2,249,896
Intergovernmental Payable	641,968	-	-	-	641,968
Matured Compensated Absences Payable	38,000	-	-	-	38,000
<b>Total Liabilities</b>	<b>3,020,651</b>	<b>-</b>	<b>162,352</b>	<b>-</b>	<b>3,183,003</b>
<u>Deferred Inflows of Resources:</u>					
Property Taxes not Levied to Finance Current Fiscal Year Operations	16,294,518	2,283,223	646,116	-	19,223,857
Unavailable Revenue	85,550	11,946	3,404	-	100,900
<b>Total Deferred Inflows of Resources</b>	<b>16,380,068</b>	<b>2,295,169</b>	<b>649,520</b>	<b>-</b>	<b>19,324,757</b>
<u>Fund Balances:</u>					
Restricted	-	1,189,909	894,834	148,821	2,233,564
Assigned	95,210	-	-	-	95,210
Unassigned	3,037,548	-	-	-	3,037,548
<b>Total Fund Balances</b>	<b>3,132,758</b>	<b>1,189,909</b>	<b>894,834</b>	<b>148,821</b>	<b>5,366,322</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 22,533,477</b>	<b>\$ 3,485,078</b>	<b>\$ 1,706,706</b>	<b>\$ 148,821</b>	<b>\$ 27,874,082</b>

See accompanying notes to the basic financial statements.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

Total Governmental Fund Balances:		\$ 5,366,322
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		44,257,101
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable deferred inflows of resources in the balance sheet of governmental funds		
Delinquent property taxes	100,900	
Total	100,900	100,900
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(35,520,168)	
Energy conservation bonds	(1,660,000)	
Capital leases obligations	(3,203,000)	
Accrued interest payable	(139,353)	
Unamortized bond premium	(1,358,204)	
Deferred charge on refunding	687,929	
Compensated absences	(1,668,619)	
Total	(42,861,415)	(42,861,415)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred outflows - pension	4,124,037	
Deferred inflows - pension	(2,439,146)	
Net pension liability	(36,294,781)	
Total	(34,609,890)	(34,609,890)
Net Position of Governmental Activities		\$ (27,746,982)

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Bond Retirement	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 16,246,850	\$ 2,681,276	\$ 673,310	\$ -	\$ 19,601,436
Intergovernmental	8,397,269	373,505	88,967	1,148,252	10,007,993
Student Sales	1,631	-	-	571,786	573,417
Interest	109	-	-	(185)	(76)
Tuition and Fees	543,633	-	-	92,353	635,986
Rentals	60,709	-	-	1,187	61,896
Gifts and Donations	35,565	-	100,007	14,675	150,247
Extracurricular Activities	56,858	-	-	335,094	391,952
Miscellaneous	316,790	-	-	18,482	335,272
<b>Total Revenues</b>	<b>25,659,414</b>	<b>3,054,781</b>	<b>862,284</b>	<b>2,181,644</b>	<b>31,758,123</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	11,379,655	-	80,837	14,827	11,475,319
Special	3,371,456	-	-	778,686	4,150,142
Vocational	8,282	-	-	-	8,282
<b>Support Services:</b>					
Pupils	1,202,234	-	-	26,998	1,229,232
Instructional Staff	791,017	-	460,231	46,004	1,297,252
Board of Education	105,421	-	-	-	105,421
Administration	2,074,713	-	1,528	-	2,076,241
Fiscal	675,339	22,981	3,804	-	702,124
Business	135,204	-	-	-	135,204
Plant Operation and Maintenance	2,531,569	-	10,870	-	2,542,439
Pupil Transportation	1,563,378	-	484,900	-	2,048,278
Central	83,101	-	-	-	83,101
Non-Instructional Services	3,300	-	-	873,894	877,194
Extracurricular Activities	751,062	-	29,038	532,882	1,312,982
Capital Outlay	-	-	813,187	13,111	826,298
<b>Debt Service:</b>					
Principal Retirement	170,000	1,785,000	179,000	-	2,134,000
Interest and Fiscal Charges	34,037	1,431,300	159,511	-	1,624,848
<b>Total Expenditures</b>	<b>24,879,768</b>	<b>3,239,281</b>	<b>2,222,906</b>	<b>2,286,402</b>	<b>32,628,357</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	779,646	(184,500)	(1,360,622)	(104,758)	(870,234)
<b>Other Financing Sources:</b>					
Proceeds from Sale of Assets	38,505	-	-	-	38,505
Transfers In	-	-	1,305,235	78,244	1,383,479
Transfers Out	(1,338,244)	(45,235)	-	-	(1,383,479)
<b>Total Other Financing Sources</b>	<b>(1,299,739)</b>	<b>(45,235)</b>	<b>1,305,235</b>	<b>78,244</b>	<b>38,505</b>
<b>Net Change in Fund Balance</b>	<b>(520,093)</b>	<b>(229,735)</b>	<b>(55,387)</b>	<b>(26,514)</b>	<b>(831,729)</b>
<b>Fund Balance at Beginning of Year</b>	<b>3,652,851</b>	<b>1,419,644</b>	<b>950,221</b>	<b>175,335</b>	<b>6,198,051</b>
<b>Fund Balance at End of Year</b>	<b>\$ 3,132,758</b>	<b>\$ 1,189,909</b>	<b>\$ 894,834</b>	<b>\$ 148,821</b>	<b>\$ 5,366,322</b>

See accompanying notes to the basic financial statements.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Total Governmental Funds		\$	(831,729)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following is a summary of the activity associated with capital assets.			
Capital asset additions			1,230,679
Current year depreciation			(2,243,259)
Total			(1,012,580)
Long term receivables that do not provide current financial resources are not reported as revenues in the funds.			
Delinquent property taxes			(173,429)
Total			(173,429)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			
Principal payments on general obligation bonds			1,785,000
Principal payments on energy conservation bonds			170,000
Principal payments on capital lease obligations			179,000
Total			2,134,000
Some expenses reported in the statement of activities, such as compensated absences and various components of the issuance of debt, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Compensated absences payable			(128,058)
Accrued interest payable			12,721
Annual accretion on capital appreciation bonds			(515,066)
Amortization of bond premium			166,230
Amortization of deferred charge on refunding			(53,341)
Total			(517,514)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.			2,102,621
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.			(2,012,804)
Change in Net Position of Governmental Activities			\$ (311,435)

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - BUDGET (NON-GAAP) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 16,530,000	\$ 16,530,000	\$ 16,640,280	\$ 110,280
Intergovernmental	8,173,000	8,173,000	8,397,269	224,269
Interest	200	200	109	(91)
Tuition and Fees	540,000	540,000	568,362	28,362
Rentals	57,000	57,000	60,709	3,709
Gifts and Donations	-	-	60	60
Student Sales	1,500	1,500	490	(1,010)
Miscellaneous	147,000	147,000	204,116	57,116
<b>Total Revenues</b>	<u>25,448,700</u>	<u>25,448,700</u>	<u>25,871,395</u>	<u>422,695</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	11,316,834	11,491,403	11,447,364	44,039
Special	3,062,758	3,255,484	3,243,008	12,476
Vocational	30,000	8,984	8,950	34
<b>Support Services:</b>				
Pupils	1,187,704	1,181,065	1,176,539	4,526
Instructional Staff	769,622	785,452	782,442	3,010
Board of Education	124,840	106,498	106,090	408
Administration	2,162,675	2,094,858	2,086,830	8,028
Fiscal	628,183	630,449	628,033	2,416
Business	137,037	135,207	134,689	518
Plant Operation and Maintenance	2,846,391	2,779,944	2,769,290	10,654
Pupil Transportation	1,611,288	1,611,269	1,605,094	6,175
Central	65,614	80,484	80,176	308
Non-Instructional Services	3,000	3,398	3,385	13
Extracurricular Activities	569,260	568,144	565,967	2,177
Capital Outlay	-	204,822	204,037	785
<b>Total Expenditures</b>	<u>24,515,206</u>	<u>24,937,461</u>	<u>24,841,894</u>	<u>95,567</u>
Excess of Revenues Under (Under) Expenditures	<u>933,494</u>	<u>511,239</u>	<u>1,029,501</u>	<u>518,262</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	100,000	100,000	2,841	(97,159)
Insurance Recoveries	5,000	5,000	-	(5,000)
Proceeds from Sale of Assets	10,000	10,000	38,505	28,505
Transfers-In	-	-	20,161	20,161
Transfers-Out	(20,000)	(2,784,794)	(1,358,405)	1,426,389
<b>Total Other Financing Sources (Uses)</b>	<u>95,000</u>	<u>(2,669,794)</u>	<u>(1,296,898)</u>	<u>1,372,896</u>
<b>Net Change in Fund Balance</b>	1,028,494	(2,158,555)	(267,397)	1,891,158
Fund Balance at Beginning of Year	4,894,661	4,894,661	4,894,661	-
Prior Year Encumbrances Appropriated	422,256	422,256	422,256	-
<b>Fund Balance at End of Year</b>	<u>\$ 6,345,411</u>	<u>\$ 3,158,362</u>	<u>\$ 5,049,520</u>	<u>\$ 1,891,158</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	Private Purpose Trust	Agency Funds
Assets:		
Equity in pooled cash and cash equivalents	\$ -	\$ 59,764
Cash and Cash Equivalents:		
With Fiscal Agent	476,857	-
Total Assets	476,857	59,764
Liabilities:		
Due to students	-	59,764
Total Liabilities	-	\$ 59,764
Net Position:		
Held in trust for scholarships	476,857	
Total Net Position	\$ 476,857	

See accompanying notes to the basic financial statements.

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$ 25,923
Investment Earnings	<u>(8,580)</u>
Total Additions	<u>17,343</u>
Deductions:	
Payments in accordance with trust agreements	<u>44,500</u>
Total Deductions	<u>44,500</u>
Change in Net Position	(27,157)
Net Position Beginning of Year	<u>504,014</u>
Net Position End of Year	<u><u>\$ 476,857</u></u>

See accompanying notes to the basic financial statements.



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

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the District's instructional/support facilities staffed by a full-time equivalent staff of 259 FTE employees who provide services to 2,729 students and other community members.

#### **Reporting Entity**

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

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

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

The School District does not have any component units.

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

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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### ***A. Basis Of Presentation***

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

#### Government-Wide Financial Statements

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

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

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

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

#### Fund Financial Statements

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

### ***B. Fund Accounting***

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

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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### Governmental Funds

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

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

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

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

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

### Fiduciary Funds

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

### *C. Measurement Focus*

#### Government-wide Financial Statements

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

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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### Fund Financial Statements

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

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

### ***D. Basis of Accounting***

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

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

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

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

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

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

### *E. Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance the subsequent fiscal year. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 11.

### *F. Budget Data*

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2016.

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

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

### ***G. Cash, Cash Equivalents, and Investments***

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

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

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

The School District has allocated interest according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$109, which includes the General Fund's allocation as well as the allocations of all funds not specified in the Board's resolution.

### ***H. Estimates***

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

### ***I. Capital Assets and Depreciation***

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

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

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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

***J. Interfund Activity***

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

***K. Compensated Absences***

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

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

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

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

***L. Accrued Liabilities and Long-Term Obligations***

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

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

## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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### ***M. Pensions***

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

### ***N. Net Position***

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Investment in net capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. At June 30, 2016 the School District did not have any portion of net position restricted by enabling legislation.

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

### ***O. Fund Balance***

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

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

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

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



## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

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

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

### **NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2016, the School District implemented the Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*; No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments, as well as requiring certain disclosures related to all fair value measurements be presented with the financial statement. GASB Statement No. 73 enhances the usefulness of information about pensions in external financial reports of state and local governments. GASB Statement No. 76 elevates GASB Implementation Guides in the GAAP hierarchy as well as emphasizing importance of analogies to authoritative literature when not specified in authoritative GAAP. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of all the Standards noted above, did not have an effect on the financial statements of the School District.

It should also be noted that in June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require the reporting entity to recognize on the face of the financial statements, its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) and the State Teachers Retirement System (STRS). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The School District has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its financial statements

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**NOTE 4 – FUND BALANCES**

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

Fund Balances	General	Bond Retirement	Permanent Improvement	Nonmajor Governmental Funds	Total
Restricted					
Debt Service	\$ -	\$ 1,189,909	\$ -	\$ -	\$ 1,189,909
Capital Improvements	-	-	894,834	8,181	903,015
Food Service Operations	-	-	-	2,211	2,211
Student Activities	-	-	-	138,429	138,429
Total Restricted	<u>-</u>	<u>1,189,909</u>	<u>894,834</u>	<u>148,821</u>	<u>2,233,564</u>
Assigned					
School Activities	57,959	-	-	-	57,959
Future Purchases	<u>37,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,251</u>
Total Assigned	<u>95,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,210</u>
Unassigned	<u>3,037,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,037,548</u>
Total Fund Balances	<u>\$ 3,132,758</u>	<u>\$ 1,189,909</u>	<u>\$ 894,834</u>	<u>\$ 148,821</u>	<u>\$ 5,366,322</u>

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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Net Change in Fund Balance  
General Fund

GAAP Basis	\$	(520,093)
Revenue Accruals		415,318
Expenditure Accruals		86,769
Encumbrances		(295,484)
Other Financing Sources		2,841
(Excess) or deficit of Funds Combined with General Fund for Reporting Purposes		<u>43,252</u>
Budget Basis	\$	<u>(267,397)</u>

**NOTE 6 – CASH AND CASH EQUIVALENTS**

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

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

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

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

Deposits

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

At year end, the carrying amount of the School District’s deposits was \$8,215,695 and the bank balance was \$7,849,213, excluding deposits held by outside fiscal agent. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$7,599,213 was not exposed to custodial risk because it was secured by collateral pools of U.S. government and municipal securities established by each respective financial institution for the purpose of pledging a pool of collateral against all public deposits held, as permitted by Ohio law.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of current and delinquent property taxes, as well as accounts (student fees). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

**NOTE 8 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received during calendar year 2016 were levied after April 1, 2015 on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which the fiscal year 2016 taxes were collected are as follows:

	<u>2016 First Half Collections</u>	<u>2015 Second Half Collections</u>
Agricultural/residential And other real estate	\$ 492,888,630	\$ 493,289,940
Public utility personal	<u>16,335,170</u>	<u>16,142,750</u>
Total	<u>\$ 509,223,800</u>	<u>\$ 509,432,690</u>

The School District receives property taxes from Greene and Warren Counties. The County Auditors 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, 2016 are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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Property taxes receivable represents real property and public utility property taxes that are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the portion of real property taxes available as an advance at June 30 was levied to finance current year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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

### **NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2016 the School District contracted with Travelers Indemnity Company for building and business property insurance. This policy has a limit of insurance in the amount of \$350 million for property and a \$1,000 deductible. Boiler and Crime are included in the policy. Fleet insurance has a \$1 million limit of liability. General liability insurance is under Great American Insurance Company and has a \$1 million per occurrence and \$3 million aggregate limitation. The Treasurer is bonded separately. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (EPC). The cooperative contracts with Hunter, Inc. to provide administrative and TPA services for the EPC sponsored workers compensation group rating pool. The intent of the pool is to achieve the benefit of a reduced premium for the School District by pooling its claim experience with other districts with similar loss ratios. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays its workers compensation premium to the State based on the rate for the pool rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement ensures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. Hunter, Inc. provides administrative, cost control and actuarial services to the EPC.

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<i><u>Capital Assets, not being depreciated</u></i>				
Land	\$ 3,432,055	\$ -	\$ -	\$ 3,432,055
Construction in Progress	1,375,820	655,959	(2,031,779)	-
<b>Total Non-depreciable Capital Assets</b>	<u>4,807,875</u>	<u>655,959</u>	<u>(2,031,779)</u>	<u>3,432,055</u>
<i><u>Capital Assets, being depreciated</u></i>				
Land Improvements	5,255,831	-	-	5,255,831
Buildings and Improvements	58,903,679	2,031,779	-	60,935,458
Furniture and Equipment	1,832,540	17,335	(7,995)	1,841,880
Vehicles	2,521,416	557,385	(275,167)	2,803,634
	<u>68,513,466</u>	<u>2,606,499</u>	<u>(283,162)</u>	<u>70,836,803</u>
<i><u>Less: Accumulated Depreciation</u></i>				
Land Improvements	(2,461,621)	(228,696)	-	(2,690,317)
Buildings and Improvements	(22,043,347)	(1,787,274)	-	(23,830,621)
Furniture and Equipment	(1,356,240)	(93,609)	7,995	(1,441,854)
Vehicles	(2,190,452)	(133,680)	275,167	(2,048,965)
	<u>(28,051,660)</u>	<u>(2,243,259) *</u>	<u>283,162</u>	<u>(30,011,757)</u>
<b>Depreciable Capital Assets, Net</b>	<u>40,461,806</u>	<u>363,240</u>	<u>-</u>	<u>40,825,046</u>
<b>Total Capital Assets, Net</b>	<u>\$ 45,269,681</u>	<u>\$ 1,019,199</u>	<u>\$ (2,031,779)</u>	<u>\$ 44,257,101</u>

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

Instruction:	
Regular	\$ 72,479
Support Services:	
Instructional staff support	1,199
Administration	10,105
Business	62,786
Operation and maintenance of plant	8,226
Pupil transportation	86,296
Central	2,630
Operation of non-instructional services	4,732
Extracurricular activities	149,564
Unallocated depreciation	1,845,242
<b>Total Depreciation Expense</b>	<u>\$ 2,243,259</u>

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.0 percent; with none of the employer contributions allocated to the Health Care Fund for the year.

The School District’s contractually required contribution to SERS was \$463,141 for fiscal year 2016; \$80,344 of contributions is reported within intergovernmental payable at June 30, 2016.

***Plan Description - State Teachers Retirement System (STRS)***

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2016, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2014, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are



## BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2016, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2014, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,639,480 for fiscal year 2016; \$274,512 of contributions is reported within intergovernmental payable at June 30, 2016.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 6,026,728	\$ 30,268,053	\$ 36,294,781
Proportion of the net pension liability	0.1056191%	0.10951974%	
Pension expense	\$ 487,666	\$ 1,525,138	\$ 2,012,804

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 84,939	\$ 1,374,771	\$ 1,459,710
Change in School District's proportionate share	-	561,706	561,706
School District contributions subsequent to the measurement date	<u>463,141</u>	<u>1,639,480</u>	<u>2,102,621</u>
Total	<u>\$ 548,080</u>	<u>\$ 3,575,957</u>	<u>\$ 4,124,037</u>
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 299,547	\$ 2,079,424	\$ 2,378,971
Change in School District's proportionate share	<u>60,175</u>	<u>-</u>	<u>60,175</u>
Total	<u>\$ 359,722</u>	<u>\$ 2,079,424</u>	<u>\$ 2,439,146</u>

\$2,102,621 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (124,874)	\$ (320,031)	\$ (444,905)
2018	(124,874)	(320,031)	(444,905)
2019	(121,995)	(320,035)	(442,030)
2020	<u>96,960</u>	<u>817,150</u>	<u>914,110</u>
	<u>\$ (274,783)</u>	<u>\$ (142,947)</u>	<u>\$ (417,730)</u>

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

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

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

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.00%
US stocks	22.50%	5.00%
Non-US stocks	22.50%	5.50%
Fixed income	19.00%	1.50%
Private equity	10.00%	10.00%
Real assets	10.00%	5.00%
Multi-asset strategies	<u>15.00%</u>	7.50%
Total	<u>100.00%</u>	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 8,356,906	\$ 6,026,728	\$ 4,064,526

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

***Discount Rate*** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 42,044,608	\$ 30,268,053	\$ 20,309,219

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

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

Fund Policy – The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is 0.0%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The School District's allocated contributions to the health care fund for the years ended June 30, 2016, 2015 and 2014 were \$0, \$27,696, and \$54,929 respectively; which equaled the required contributions for each year.

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

***B. State Teachers Retirement System***

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2015 and 2016, STRS Ohio did not allocate any portion of the employer contributions to the Health Care Stabilization Fund. The School District’s contribution for health care for the fiscal year ended June 30, 2014 was \$112,347; which equaled the required contributions for that year.

**NOTE 13 - LONG-TERM OBLIGATIONS**

Activity of the School District’s long- term obligations at June 30, 2016 was as follows:

	Balance 6/30/2015	Increases	Decrease	Balance 6/30/2016	Due within One Year
General Obligation Bonds:					
2006 Refunding Bonds:					
Current Interest 3.75%-4.50%	\$ 32,530,000	\$ -	\$ (335,000)	\$ 32,195,000	\$ 350,000
Capital Appreciation 4.03%-4.12%	1,860,102	515,066	-	2,375,168	-
2013 Refunding Bonds:					
Current Interest 2.0%-3.0%	2,400,000	-	(1,450,000)	950,000	950,000
Unamortized Bond Premium	1,524,434	-	(166,230)	1,358,204	-
Total General Obligation Bonds	38,314,536	515,066	(1,951,230)	36,878,372	1,300,000
2015 Energy Conservation Bonds:					
Current Interest 1.95%	1,830,000	-	(170,000)	1,660,000	170,000
Capital Lease Obligation	3,382,000	-	(179,000)	3,203,000	188,000
Compensated Absences	1,540,561	328,331	(200,273)	1,668,619	216,920
Net Pension Liability:					
SERS	5,424,724	602,004	-	6,026,728	-
STRS	25,936,860	4,331,193	-	30,268,053	-
Total Long-Term Obligations	\$ 76,428,681	\$ 5,776,594	\$ (2,500,503)	\$ 79,704,772	\$ 1,874,920

**General Obligation Bonds**

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

- In December 2013, the School District issued \$3,725,000 of general obligation bonds to finance the repayment of \$3,745,000 of 2003 multi-purpose bonds at the call date of February 3, 2015. The 2013 current interest bonds will fully mature on December 31, 2016 and carry an interest rate of 2.0 to 3.0 percent.
- \$34,625,000 of general obligation bonds issued in 2006 to provide resources to advance refund \$34,625,000 of current interest, general obligation bonds issued in 2003. These bonds include current interest and capital appreciation bonds. The capital appreciation bonds will mature in fiscal years 2018, 2019 and 2020. The maturity amount of the capital appreciation bonds is \$4.33 million. For fiscal year 2016, \$515,066 was accreted for a total bond value of \$2,375,168.
- In January 2015, the School District issued \$1,830,000 of energy conservation improvement bonds to finance various energy conservation projects within the District's facilities. These bonds fully mature on December 1, 2024 and carry an interest rate of 1.95 percent.

Principal and interest requirements to retire the District's long-term general obligation bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ended June 30,	General Obligation Bonds		Energy Conservation Bonds		Total Bonds
	Principal	Interest	Principal	Interest	
2017	\$ 1,300,000	\$ 1,388,850	\$ 170,000	\$ 30,713	\$ 2,889,563
2018	947,952	1,784,648	175,000	27,349	2,934,949
2019	776,621	2,030,979	175,000	23,936	3,006,536
2020	650,595	2,242,005	180,000	20,475	3,093,075
2021	1,610,000	1,331,375	185,000	16,916	3,143,291
2022-2026	10,610,000	5,368,703	775,000	30,566	16,784,269
2027-2031	15,730,000	2,590,460	-	-	18,320,460
2032	3,895,000	82,768	-	-	3,977,768
Total	\$ 35,520,168	\$ 16,819,788	\$ 1,660,000	\$ 149,955	\$ 54,149,911

Debt Limitations

The School District's voted legal debt margin, as determined under Ohio Revised Code Section was approximately \$12.2 million, energy conservation debt margin was \$2.9 million, and the unvoted debt margin was \$509,224 at June 30, 2016.

Other Long-Term Obligations

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



**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016.

Fiscal Year Ending June 30,	
2017	\$ 331,249
2018	331,542
2019	330,472
2020	330,035
2021	330,167
2022-2026	1,457,255
2027-2031	756,652
2032-2036	477,668
2037	<u>96,119</u>
Total Minimum Lease Payments	4,441,159
Less: Amount Representing Interest	<u>(1,238,159)</u>
Present Value of Minimum Lease Payments	<u>\$ 3,203,000</u>

The capital assets acquired by lease agreements have been capitalized in the statement of net position for governmental activities in the amount of \$5,094,639 (\$1,758,180 of buildings and improvements and \$3,336,459 of land improvements), which is equal to the present value of the minimum lease payments at the time of acquisition. The corresponding liability is split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net position for governmental activities. Principal payments in fiscal year 2016 totaled \$179,000.

**NOTE 15 – OTHER EMPLOYEE BENEFITS**

***Compensated Absences***

**Accumulated Unpaid Vacation**

District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the District as a whole amounted to \$93,199 at June 30, 2016.

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

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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### Accumulated Unpaid Sick Leave

District employees may accumulate sick leave. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum of sixty days for certified and classified employees. The total obligation for sick leave accrual for the District as a whole at June 30, 2016 was \$1,613,420.

### **NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

#### *Miami Valley Educational Computer Association*

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

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$166,679 for services provided during the year. Financial information can be obtained from Thor Sage, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

#### *Southwestern Ohio Educational Purchasing Cooperative*

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

#### *Bellbrook/Sugarcreek Education Foundation*

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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*Greene County Career Center*

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

**NOTE 17 - SET-ASIDE CALCULATIONS**

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

	<u>Capital Improvements</u>
Set-aside balance as of June 30, 2015	\$ -
Current year set-aside requirement	435,750
Contributions in excess of the current fiscal year set-aside requirements	-
Current year qualifying expenditures	(603,220)
Excess qualified expenditures from prior years	-
Current year offsets	(694,491)
Waiver granted by ODE	-
Qualifying Disbursements	<u>-</u>
Total	<u>\$ (861,961)</u>
Balance Carried Forward to FY 2017	<u>\$ -</u>
Set-aside balance as of June 30, 2016	<u>\$ -</u>

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

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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**NOTE 18 - CONTINGENCIES**

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2016.

Full-Time Equivalency Review

State Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts were required to comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of the of enrollment adjustments to the Foundation funding for the School District for fiscal year 2016; however based on information currently available, management does not believe the results of that review will have a material effect on the School District's financial statement.

Litigation

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

**NOTE 19 – INTERFUND TRANSFERS**

During fiscal year 2016, the general fund transferred \$1,260,000 to the permanent improvement fund and \$78,244 to the food service fund. The transfer to the permanent improvement fund was to provide resources for significant capital items while the transfer to the food service (non-major special revenue) fund was to provide operating resources for the program during the fiscal year.

Also, during the year the School District closed the 2003 bond retirement account and transferred the resources remaining within that account (\$45,235) to the permanent improvement capital fund as permitted by the Ohio Revised Code.

**BELLBROOK-SUGARCREEK LOCAL SCHOOL DISTRICT**

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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**NOTE 20 – COMMITMENTS/ENCUMBRANCES**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 304,314
Permanent Improvement Fund	577,838
Non-major Governmental Funds	<u>79,142</u>
	<u>\$ 961,294</u>

**NOTE 21 – SUBSEQUENT EVENT**

In August 2016, the School District issued \$28.0 million of general obligation refunding bonds, series 2016, to provide for the advance refunding of a portion of 2003 general obligation bonds outstanding. The proceeds from this debt issuance, along with \$4.8 million in net premiums, will be placed into an escrow account and used to retire \$31.8 million of the 2003 bonds at the call date in September 2016. The 2016 bond issue has interest rates ranging from 2.0 percent to 5.0 percent and mature on December 1, 2031.

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST THREE MEASUREMENT PERIODS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>School Employees Retirement System of Ohio:</u></b>			
District's Proportion of the Net Pension Liability	0.105619%	0.107188%	0.107188%
District's Proportionate Share of the Net Pension Liability	\$ 6,026,728	\$ 5,424,724	\$ 6,374,126
District's Covered-Employee Payroll	\$ 3,377,511	\$ 3,146,133	\$ 3,032,782
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	178.44%	172.43%	210.17%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%
<b><u>State Teachers Retirement System of Ohio:</u></b>			
District's Proportion of the Net Pension Liability	0.10951974%	0.10663310%	0.10663310%
District's Proportionate Share of the Net Pension Liability	\$ 30,268,053	\$ 25,936,860	\$ 30,895,818
District's Covered-Employee Payroll	\$ 11,426,550	\$ 11,733,031	\$ 10,671,685
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	264.89%	221.06%	289.51%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

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

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

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

	2016	2015	2014	2013	2012	2011
<b><u>School Employees Retirement System of Ohio:</u></b>						
Contractually Required Contribution	\$ 463,141	\$ 445,156	\$ 436,054	\$ 419,737	\$ 391,728	\$ 417,703
Contributions in Relation to the Contractually Required Contributions	(463,141)	(445,156)	(436,054)	(419,737)	(391,728)	(417,703)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Covered-Employee Payroll	\$ 3,308,150	\$ 3,377,511	\$ 3,146,133	\$ 3,032,782	\$ 2,912,476	\$ 3,323,015
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**State Teachers Retirement System of Ohio:**

Contractually Required Contribution	\$ 1,639,480	\$ 1,599,717	\$ 1,525,294	\$ 1,387,319	\$ 1,434,642	\$ 1,455,123
Contributions in Relation to the Contractually Required Contributions	(1,639,480)	(1,599,717)	(1,525,294)	(1,387,319)	(1,434,642)	(1,455,123)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Covered-Employee Payroll	\$ 11,710,571	\$ 11,426,550	\$ 11,733,031	\$ 10,671,685	\$ 11,035,708	\$ 11,193,254
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

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

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	N/A		\$43,699
Cash Assistance				
School Breakfast Program	10.553	N/A	\$13,410	
National School Lunch Program	10.555	N/A	148,586	
National School Lunch Program - Incentive			7,259	
Total National School Lunch Program			<u>155,845</u>	
Total Child Nutrition Cluster			<u>169,255</u>	<u>43,699</u>
Total U.S. Department of Agriculture			<u>169,255</u>	<u>43,699</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	N/A	272,962	
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	N/A	442,001	
Special Education Preschool Grants	84.173	N/A	15,427	
Total Special Education Cluster (IDEA)			<u>457,428</u>	
Supporting Effective Instruction State Grant (Formerly Improving Teacher Quality State Grants)	84.367	N/A	37,664	
<i>Passed Through Greene County Educational Service Center</i>				
Race to the Top - District Grants				
Race to the Top - eTPES FY 16	84.416	N/A	5,827	
Total U.S. Department of Education			<u>773,881</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Greene County Educational Service Center</i>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	57,295	
Total U.S. Department of Health and Human Services			<u>57,295</u>	
<b>Total Federal Awards Expenditures</b>			<u><b>1,000,431</b></u>	<u><b>43,699</b></u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of Bellbrook-Sugarcreek Local School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E - MATCHING REQUIREMENTS**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellbrook-Sugarcreek Local School District, Greene County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2017.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 20, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Bellbrook-Sugarcreek Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Bellbrook-Sugarcreek Local School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the Bellbrook-Sugarcreek Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 20, 2017

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

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (IDEA): Special Education_Grants to States (CFDA 84.027) Special Education_Preschool Grants (CFDA 84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**BELLBROOK – SUGARCREEK LOCAL SCHOOL DISTRICT**

**GREENE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 6, 2017**