

Sugarcreek Local School District
Greene County, Ohio

Single Audit

July 1, 2008 through June 30, 2009
Fiscal Year Audited Under GAGAS: 2009



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Mary Taylor, CPA
Auditor of State

Board of Education
Sugar creek Local School District
60 East South Street
Bellbrook, Ohio 45305

We have reviewed the *Independent Auditor's Report* of the Sugar creek Local School District, Greene County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 23, 2009

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Sugarcreek Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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Independent Auditor's Report

Members of the Board
Sugarcreek Local School District
60 East South Street
Bellbrook, Ohio 45305

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sugarcreek Local School District (the School District), Greene County, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 the School District, as of June 30, 2009, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the School District will continue as a going concern. As discussed in Note 21 to the financial statements, the School District had a negative fund balance in the General Fund for \$2,943,752 for the year ended June 30, 2009. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 21. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

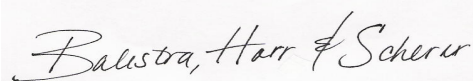
In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of the Board
Sugarcreek Local School District
Independent Auditor's Report
Page 2

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 52, *"Land and Other Real Estate Held as Investments by Endowments"*.



Balestra, Harr & Scherer, CPAs, Inc.
October 23, 2009

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009

The discussion and analysis of the 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, 2009. 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 2009 are as follows:

Overall:

- Total net assets decreased by approximately \$1.1 million or 18.2 percent during the year.
- Total assets of governmental activities decreased \$1.9 million, attributed primarily to the decrease in cash balance at June 30, 2009 compared with one year prior as well as the decrease in capital assets reported at year end compared with the prior year due to depreciation expense exceeding the current year capital asset additions.
- Total liabilities decreased by \$784,340 due predominately to the scheduled debt service payments made during the fiscal year. The \$1.9 million increase in the amount reported for unearned revenue for the year is attributable to the higher property tax receivable amount report which is levied to finance future periods.
- General revenues accounted for \$25.9 million or 90.6 percent of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions account for \$2.7 million or 9.4 percent of total revenues of \$28.6 million.
- During the fiscal year, the School District completed extensive renovations to its football stadium, including new stands, running track, lights and play turf. The total cost of the stadium project was \$3.2 million, of which \$1.4 million was reported as construction in progress at the end of the prior year.
- The general fund of the School District ended fiscal year 2009 with a fund deficit of \$2.9 million compared with the \$2.0 million deficit reported for the prior fiscal year. To address the financial needs of the School District, voters passed a renewal levy in May of 2009 and a 5.5 mill replacement levy in August 2009. The replacement levy is anticipated to generate approximately \$2.4 million of additional tax revenue per year for the School District. Another aspect of both levies is they were made permanent instead of term levies; therefore, the School District will not have to go to the ballot every five years as it had in the past.

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 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.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

SUGARCREEK LOCAL SCHOOL DISTRICT
Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Governmental Funds

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

TABLE 1
NET ASSETS

	<u>2009</u>	<u>2008</u>
<i>Assets</i>		
Current and Other Assets	\$ 20,503,510	\$ 21,890,190
Capital Assets	<u>56,743,877</u>	<u>57,223,302</u>
Total Assets	77,247,387	79,113,492
<i>Liabilities:</i>		
Long-term Liabilities	51,542,689	53,590,875
Other Liabilities	<u>20,844,250</u>	<u>19,580,404</u>
Total Liabilities	72,386,939	73,171,279
<i>Net Assets:</i>		
Invested in Capital Assets, Net of Debt	7,055,802	7,784,164
Restricted	1,258,550	1,911,586
Unrestricted	<u>(3,453,904)</u>	<u>(3,753,537)</u>
Total Net Assets	<u>\$ 4,860,448</u>	<u>\$ 5,942,213</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2009, the School District's net assets were \$4.9 million. Of that amount, approximately \$7.1 million was invested in capital assets, net of debt related to those assets. Another \$1.3 million was subject to external restrictions upon its use. The remaining unreserved deficit of \$3.5 million was due to the accruals of long-term liabilities for which the School District does not currently have resources to cover. To address the long-term financial health of the School District, budget cuts of \$2.5 million were enacted for fiscal year 2010 prior to the passage of the August 2009 replacement levy which will provide \$2.4 million of additional tax revenues per year. The School District will receive approximately one-half of the additional tax revenue in the next fiscal year with full collection being realized in fiscal year 2011 and after. The most recent financial forecast shows the School District with a positive ending general fund cash balance throughout the next five years.

SUGARCREEK LOCAL SCHOOL DISTRICT
Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Total assets reported at June 30, 2009 decreased by \$1.9 million from those reported one year prior. While taxes receivables increased due to the passage of the new levies and revaluation of properties, the decrease in cash and cash with fiscal agents resulted in current and other asset accounts decreasing by \$1.4 million. Cash with fiscal agent reported at the end of the prior year was associated with financing secured to pay for the stadium renovation project. As this project was completed during the year, the cash was used to pay the construction obligations. The decrease in the cash account resulted from cash expenditures being greater than cash receipts during the year. In addition, capital assets decreased from \$57.2 million at June 30, 2008 to \$56.7 million at June 30, 2009 as depreciation expense for the period exceeded capital asset additions.

Total liabilities decreased by \$784,340 million during the year; long-term liabilities decreased by \$2.1 million and other liabilities increased by \$1.3 million. The decrease in long-term liabilities resulted from the scheduled debt service payments on bonds and capital lease obligations made during the fiscal year. The increase in other liabilities was due predominately to the \$1.9 million increase in unearned revenue associated with properly taxes levied as of the end of the year, but which are intended to finance future periods.

The unrestricted net asset deficit reported at June 30, 2009 decreased by \$299,633 over that reported one year prior.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

TABLE 2
CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>
<i>Revenues:</i>		
Program Revenues:		
Charges for Services and Sales	\$ 1,547,181	\$ 1,533,959
Operating Grants & Contributions	970,729	1,939,484
Capital Grants & Contributions	173,325	35,542
General Revenues:		
Property taxes	16,876,542	16,657,047
Grants & Entitlements not Restricted	8,762,849	7,647,997
Other	261,370	722,603
Total Revenues	<u>28,591,996</u>	<u>28,536,632</u>
<i>Program Expenses:</i>		
Instruction	12,831,079	12,230,030
Support Services:		
Pupils and Instructional Staff	3,542,149	3,698,295
Board of Education, Administration, Fiscal and Business	2,750,498	2,826,983
Operation and Maintenance of Plant	2,773,273	2,410,088
Pupil Transportation	1,612,388	1,744,557
Central	90,152	107,072
Operation of Non-Instructional Services	722,153	679,863
Extracurricular Activities	1,306,089	1,259,976
Unallocated Depreciation	1,807,669	1,717,935
Interest and Fiscal Charges	2,238,311	2,134,456
Total Expenses	<u>29,673,761</u>	<u>28,809,255</u>
<i>Change in Net Assets</i>	<u>\$ (1,081,765)</u>	<u>\$ (272,623)</u>

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009

As shown in Table 2, \$25.9 million, or 90.6 percent, of the School District's total revenue is derived from general revenues, essentially property taxes and state entitlement programs. The 1.3 percent increase in property tax revenue reported for the year compared with the prior year is due to the tri-annual update of property values within the School District. The increase in grants and entitlements resulted from reclassifying certain components of the State Foundation Program as general revenues compared to operating grants in the prior year. As a result, while unrestricted grants and entitlements increased by \$1.1 million during the current year, operating grants and contributions decreased by just under \$1.0 million from those reported in the prior year.

Total expenses of the School District increased by \$864,506 from the amount reported in the prior year or 3.0 percent. The expenses associated with the regular instruction function increased by \$450,630 or 4.3 percent over fiscal year 2008 due to increases in employee pay-rates and health insurance premiums. The \$363,185 or 15.1 percent increase in the expenses reported in the plant operation and maintenance department resulted from increases in salary and benefits, utilities, depreciation, and various repair projects that did not meet the capitalization criteria to be recorded as a capital asset. Unallocated depreciation increased 5.2 percent as this was the first year the stadium renovations were depreciated.

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 2009 compared with those reported for fiscal year 2008.

TABLE 3
NET COST OF SERVICE

	<u>2009</u>	<u>2008</u>
Instruction	\$ 12,095,521	\$ 11,122,106
Support Services:		
Pupils and Instructional Staff	3,092,153	3,140,708
Board of Education, Administration, Fiscal and Business	2,750,498	2,826,983
Plant Operation and Maintenance	2,726,555	2,377,409
Pupil Transportation	1,585,693	1,110,806
Central	90,152	107,072
Operation of Non-Instructional Services	47,126	27,331
Extracurricular Activities	548,848	735,464
Unallocated Depreciation	1,807,669	1,717,935
Interest and Fiscal Charges	<u>2,238,311</u>	<u>2,134,456</u>
Total Net Cost of Service	<u>\$ 26,982,526</u>	<u>\$ 25,300,270</u>

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009

In fiscal year 2008, 90.9 percent of the School District's expenses were financed through property taxes and state foundation revenues (general revenues), a slightly greater dependence than what was reported in the prior year. In fiscal year 2009, the School District had program revenues totaling \$2.7 million, a decrease of \$817,750 from those reported for the prior fiscal year, due almost exclusively to the revenue reclassification noted above. Regardless, the School District remains significantly dependent on local revenues to fund its operations.

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$28.3 million and expenditures of \$31.2 million. Of the \$31.2 million expenditures reported, \$1.8 million was capital outlay. The net decrease in total governmental fund balance of \$2.7 million resulted in an overall fund balance deficit of \$812,033 for the governmental funds. The School District reported \$704,559 of fund balance reserved for various purposes at June 30, 2009.

The School District's general fund, the primary operating fund, ended fiscal year 2009 with an unreserved, undesignated fund deficit of \$3.3 million, or \$658,458 more than the deficit reported at June 30, 2008. Overall, the revenues of the general fund decreased slightly by \$9,689 from those reported for the prior year. Total expenditures of the general fund increased by 1.6 percent, or \$350,472, over prior year levels due to increases in the cost of personnel, benefits and materials. The combination of decreasing revenues and increasing expenditures resulted in a net decrease in the general fund balance totaling \$947,906 for the year.

The fund balance of the debt service fund decreased by \$27,655 during the year; ending with a fund balance of \$1.6 million. Due to the nature of the bond levy, the revenues and expenditures of the debt service fund will not equal one another in any one particular year, however over the life of the bond issue, the tax receipts and debt service payments should equate to one another.

The \$1.5 million decrease in the fund balance reported for the permanent improvement fund is due almost exclusively to completing the Stadium renovation project; \$1.8 million in capital outlay expenditures during the fiscal year. As the financing proceeds associated with this project were reported in the prior year, the expenditures of the current year were entirely paid for with cash on hand at the end of the prior 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 revenue was \$22.4 million as compared to the original budget estimates of \$22.8 million. The reduction in anticipated revenues was the result of the School District not receiving as much in additional tax revenues from the tri-annual property revaluation as it had originally anticipated as well as intergovernmental revenue being somewhat less than the levels anticipated when the original budget was established.

SUGARCREEK LOCAL SCHOOL DISTRICT
Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$23.9 million, which was \$879,554 (3.8 percent) more than what was budgeted prior to the start of the fiscal year. Overall, the School District's actual expenditures and transfers-out on the budget basis were \$226,879 more than the final budgeted expenditures. The School District realized higher than expected expenditures in the regular instruction area due to increases in salaries and benefits as well as in the plant operation and maintenance function due to unanticipated repairs which were necessary due to the wind storm that occurred in the fall of 2008.

As the budget for the General Fund is amended throughout the fiscal year for unanticipated revenues and expenditures, the final amended budget amounts approximate the actual budgetary results realized by the School District.

Capital Assets

At the end of fiscal year 2009, the School District had \$56.7 million invested in land, land improvements, buildings, furniture and equipment, vehicles, and construction in progress in governmental activities. Table 4 shows fiscal year 2009 balances compared to 2008. For additional detail on the School District's capital assets readers should review Note 9 to the basic financial statements.

TABLE 4
CAPITAL ASSETS

	<u>2009</u>	<u>2008</u>
Land	3,432,055	\$ 3,432,055
Land Improvements	5,707,616	2,546,125
Building and Improvements	58,903,679	58,869,586
Furniture and Equipment	1,501,644	1,501,644
Vehicles	3,101,910	3,111,010
Construction in Progress	-	1,430,677
Less: Accumulated Depreciation	<u>(15,903,027)</u>	<u>(13,667,795)</u>
Total Capital Assets	<u>\$ 56,743,877</u>	<u>\$ 57,223,302</u>

Overall, net capital assets decreased by \$479,425 compared to fiscal year 2008. The decrease in capital assets results from the amount of depreciation being charged against the assets for the fiscal year exceeding the amount of new capital assets reported.

During fiscal year 2009, the School District completed extensive renovations to its football stadium, including new stands, running track, lights and play turf. The total cost of the stadium project \$3.2 million, of which \$1.4 million was reported as construction in progress at the end of the prior year. There were no other significant capital asset additions or deletions during the year. Depreciation expense reported for fiscal year 2009 was \$2.2 million.

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

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Debt Administration

At June 30, 2009, the School District had a total of two general obligation bond issues outstanding with outstanding principal of \$44.1 million, of which \$2.0 million is due within one year.

In total, at the end of fiscal year 2009, the School District had \$51.5 million of outstanding long-term obligations; \$45.0 million related to general obligation bonds (including unamortized premiums and charges); \$1.4 million related to compensated absences (severance payments); and \$5.1 million of capital lease obligations. During the year, principal payments made on general obligation bonds and capital lease obligations totaled \$2.2 million. The total long-term obligations anticipated to be retired in the next fiscal year is \$2.6 million.

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

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 Sugarcreek Local School District, 60 East South Street, Bellbrook, OH 45305 or call (937) 848-4800.

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets:	
Equity in pooled cash, cash equivalents, and investments	\$ 1,739,266
Cash and cash equivalents with fiscal agents	3,935
Receivables:	
Property taxes	18,203,773
Accounts	58,844
Deferred charges	451,076
Restricted Assets:	
Equity in pooled cash and cash equivalents	46,616
Non-depreciable capital assets	3,432,055
Depreciable capital asset, net	53,311,822
Total Assets	77,247,387
Liabilities:	
Accounts payable	102,035
Accrued wages and benefits payable	2,201,222
Intergovernmental payable	592,288
Accrued interest payable	201,186
Matured compensated absences	134,503
Unearned revenue	17,566,400
Payable from restricted assets:	
Retainage payable	46,616
Long Term Liabilities:	
Due within one year	2,613,644
Due in more than one year	48,929,045
Total Liabilities	72,386,939
Net Assets:	
Invested in capital assets, net of related debt	7,055,802
Restricted for:	
Debt service	995,589
Capital projects	257,290
Other purpose	5,671
Unrestricted	(3,453,904)
Total Net Assets	\$ 4,860,448

See accompanying notes to the basic financial statements.

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$ 10,959,665	\$ 353,946	\$ 89,491	\$ -	\$ (10,516,228)
Special	1,871,414	35,574	256,547	-	(1,579,293)
Support Services:					
Pupils	2,537,215	32,569	355,060	-	(2,149,586)
Instructional staff	1,004,934	-	62,367	-	(942,567)
Board of education	30,796	-	-	-	(30,796)
Administration	1,821,034	-	-	-	(1,821,034)
Fiscal	693,437	-	-	-	(693,437)
Business	205,231	-	-	-	(205,231)
Operation and maintenance of plant	2,773,273	31,218	15,250	250	(2,726,555)
Pupil transportation	1,612,388	-	-	26,695	(1,585,693)
Central	90,152	-	-	-	(90,152)
Operation of non-instructional services	722,153	543,960	131,067	-	(47,126)
Extracurricular activities	1,306,089	549,914	60,947	146,380	(548,848)
Interest and fiscal charges	2,238,311	-	-	-	(2,238,311)
Unallocated depreciation *	1,807,669	-	-	-	(1,807,669)
Total Governmental Activities	<u>\$ 29,673,761</u>	<u>\$ 1,547,181</u>	<u>\$ 970,729</u>	<u>\$ 173,325</u>	<u>(26,982,526)</u>

General Revenues:

Property taxes levied for:

General purposes	12,962,235
Debt service	3,259,166
Capital outlay	655,141
Grants and entitlements not restricted to specific programs	8,762,849
Investment earnings	32,924
Miscellaneous	228,446

Total General Revenues 25,900,761

Changes in net assets (1,081,765)

Net assets at beginning of year 5,942,213

Net assets at end of year \$ 4,860,448

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

See accompanying notes to the basic financial statements.

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

COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Debt Service	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ -	\$ 1,210,078	\$ 193,579	\$ 335,609	\$ 1,739,266
Cash and Cash Equivalents:					
With Fiscal Agent	-	-	-	3,935	3,935
Receivables:					
Taxes	14,276,735	3,264,659	662,379	-	18,203,773
Accounts	58,844	-	-	-	58,844
Interfund	-	226,081	-	-	226,081
Restricted Assets:					
Equity in Pooled Cash, Cash Equivalents, and Investments	-	-	-	46,616	46,616
Total Assets	\$ 14,335,579	\$ 4,700,818	\$ 855,958	\$ 386,160	\$ 20,278,515
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 70,946	\$ -	\$ -	\$ 31,089	\$ 102,035
Accrued Wages and Benefits	2,201,222	-	-	-	2,201,222
Intergovernmental Payable	592,288	-	-	-	592,288
Interfund Payable	226,081	-	-	-	226,081
Matured Compensated Absences Payable	134,503	-	-	-	134,503
Deferred Revenue	14,054,291	3,102,420	631,092	-	17,787,803
Payable from Restricted Assets:					
Retainage Payable	-	-	-	46,616	46,616
Total Liabilities	17,279,331	3,102,420	631,092	77,705	21,090,548
<u>Fund Balances:</u>					
<u>Reserved for:</u>					
Encumbrances	163,574	-	1,829	123,186	288,589
Property Taxes	222,444	162,239	31,287	-	415,970
<u>Unreserved, Undesignated:</u>					
General Fund	(3,329,770)	-	-	-	(3,329,770)
Special Revenue Funds	-	-	-	161,558	161,558
Debt Service Fund	-	1,436,159	-	-	1,436,159
Capital Projects Funds	-	-	191,750	23,711	215,461
Total Fund Balances	(2,943,752)	1,598,398	224,866	308,455	(812,033)
Total Liabilities and Fund Balances	\$ 14,335,579	\$ 4,700,818	\$ 855,958	\$ 386,160	\$ 20,278,515

See accompanying notes to the basic financial statements.

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total Governmental Fund Balances:		\$ (812,033)
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		56,743,877
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. Delinquent property taxes		221,403
Bond issuance costs associated with general obligation bonds payable are recorded as a deferred charge on the accrual basis but are not reported in the funds		451,076
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.		
G.O. bonds	(44,117,020)	
Accrued interest payable	(201,186)	
Deferred premium on bond issuance	(2,109,519)	
Deferred amount on refunding	1,208,199	
Compensated absences	(1,377,595)	
Capital leases	(5,146,754)	
Total	(51,743,875)	(51,743,875)
 Net Assets of Governmental Activities		 \$ 4,860,448

See accompanying notes to the basic financial statements.

**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, 2009

	General Fund	Debt Service	Permanent Improvement	Non-major Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 12,883,907	\$ 3,237,062	\$ 651,176	\$ -	\$ 16,772,145
Intergovernmental	8,292,562	414,524	82,458	907,045	9,696,589
Student Sales	-	-	-	562,807	562,807
Interest	25,576	-	7,535	(187)	32,924
Tuition and Fees	389,520	-	-	59,100	448,620
Extracurricular Activities	-	-	-	394,789	394,789
Miscellaneous	224,828	-	92,857	122,270	439,955
Total Revenues	21,816,393	3,651,586	834,026	2,045,824	28,347,829
Expenditures:					
Current:					
Instruction:					
Regular	10,785,081	-	76,969	31,772	10,893,822
Special	1,518,463	-	-	254,555	1,773,018
Support Services:					
Pupils	2,158,196	-	-	381,042	2,539,238
Instructional Staff	975,007	-	-	110,903	1,085,910
Board of Education	30,796	-	-	-	30,796
Administration	1,831,533	-	-	6,359	1,837,892
Fiscal	626,304	34,223	7,079	-	667,606
Business	115,192	-	-	-	115,192
Operation and Maintenance of Plant	2,684,537	-	11,990	56	2,696,583
Pupil Transportation	1,464,086	-	-	-	1,464,086
Central	82,262	-	-	-	82,262
Operation of Non-Instructional Services	8,063	-	-	703,390	711,453
Extracurricular Activities	579,483	-	19,717	598,867	1,198,067
Capital Outlay	-	-	1,799,343	32,709	1,832,052
Debt Service:					
Principal Retirement	-	1,866,000	325,974	-	2,191,974
Interest and Fiscal Charges	5,973	1,936,853	142,406	-	2,085,232
Total Expenditures	22,864,976	3,837,076	2,383,478	2,119,653	31,205,183
Excess of Revenues Over (Under)					
Expenditures	(1,048,583)	(185,490)	(1,549,452)	(73,829)	(2,857,354)
Other Financing Sources (Uses):					
Insurance Proceeds	134,332	-	-	5,438	139,770
Transfers-In	-	157,835	204,610	3,045	365,490
Transfers-Out	(33,655)	-	(157,835)	(174,000)	(365,490)
Total Other Financing Sources (Uses)	100,677	157,835	46,775	(165,517)	139,770
Net Change in Fund Balance	(947,906)	(27,655)	(1,502,677)	(239,346)	(2,717,584)
Fund Balance at Beginning of Year	(1,995,846)	1,626,053	1,727,543	547,801	1,905,551
Fund Balance at End of Year	\$ (2,943,752)	\$ 1,598,398	\$ 224,866	\$ 308,455	\$ (812,033)

See accompanying notes to the basic financial statements.

**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, 2009

Net Change in Fund Balances - Total Governmental Funds		\$ (2,717,584)
<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	1,764,907	
Current year depreciation	<u>(2,240,920)</u>	
Total		(476,013)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(3,412)
Long term receivables that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes		104,397
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal payments on G.O. bonds	1,800,000	
Principal payments on capital leases	<u>391,974</u>	
Total		2,191,974
Some expenses reported in the statement of activities, such as compensated absences and certain debt related transactions do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences payable	(4,741)	
Accrued interest payable	(14,031)	
Annual accretion on capital appreciation bonds	(169,202)	
Amortization of bond issuance cost	(23,308)	
Amortization of bond premium	101,089	
Amortization of deferred charge on refunding	<u>(70,934)</u>	
Total		<u>(181,127)</u>
Change in Net Assets of Governmental Activities		<u>\$ (1,081,765)</u>

See accompanying notes to the basic financial statements.

**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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 13,759,100	\$ 13,506,360	\$ 13,170,854	\$ (335,506)
Intergovernmental	8,325,000	8,172,000	8,283,062	111,062
Interest	160,000	157,000	25,576	(131,424)
Tuition and Fees	401,500	394,000	377,027	(16,973)
Miscellaneous	168,000	165,000	232,717	67,717
Total Revenues	<u>22,813,600</u>	<u>22,394,360</u>	<u>22,089,236</u>	<u>(305,124)</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,496,029	10,343,613	10,668,003	(324,390)
Special	1,478,959	1,457,483	1,520,173	(62,690)
Support Services:				
Pupils	2,370,244	2,335,825	2,221,211	114,614
Instructional Staff	960,680	946,730	984,511	(37,781)
Board of Education	58,500	57,650	29,899	27,751
Administration	1,884,193	1,856,833	1,821,679	35,154
Fiscal	677,757	667,915	611,290	56,625
Business	131,000	129,098	121,762	7,336
Operation and Maintenance of Plant	2,593,521	2,555,859	2,774,979	(219,120)
Pupil Transportation	1,670,754	1,646,492	1,463,139	183,353
Central	91,893	90,559	86,951	3,608
Operation of Non-Instructional Services	4,000	3,942	7,345	(3,403)
Extracurricular Activities	592,976	584,365	578,145	6,220
Capital Outlay	5,000	4,927	-	4,927
Debt Service:				
Principal Retirement	-	1,000,000	1,000,000	-
Interest and Fiscal Charges	-	-	5,973	(5,973)
Total Expenditures	<u>23,015,506</u>	<u>23,681,291</u>	<u>23,895,060</u>	<u>(213,769)</u>
Excess of Revenues Over (Under) Expenditures	<u>(201,906)</u>	<u>(1,286,931)</u>	<u>(1,805,824)</u>	<u>(518,893)</u>
Other Financing Sources (Uses):				
Insurance Proceeds	-	-	134,332	134,332
Note Proceeds	-	1,000,000	1,000,000	-
Refund of Prior Year Expenditures	-	5,000	1,611	(3,389)
Transfers-Out	(20,000)	(20,000)	(33,110)	(13,110)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>985,000</u>	<u>1,102,833</u>	<u>117,833</u>
Net Change in Fund Balance	(221,906)	(301,931)	(702,991)	(401,060)
Fund Balance at Beginning of Year	123,254	123,254	123,254	-
Prior Year Encumbrances Appropriated	178,677	178,677	178,677	-
Fund Balance at End of Year	<u>\$ 80,025</u>	<u>\$ -</u>	<u>\$ (401,060)</u>	<u>\$ (401,060)</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private Purpose Trust	Agency Funds
Assets:		
Equity in pooled cash, cash equivalents and investments	\$ 186	\$ 45,682
Cash and Cash Equivalents: With Fiscal Agent	214,762	-
Total Assets	214,948	45,682
Liabilities:		
Due to students	-	45,682
Total Liabilities	-	\$ 45,682
Net Assets:		
Held in trust for scholarships	214,948	
Total Net Assets	\$ 214,948	

See accompanying notes to the basic financial statements.

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$ 12,572
Investment Earnings	<u>(21,888)</u>
Total Additions	<u>(9,316)</u>
Deductions:	
Payments in accordance with trust agreements	<u>12,827</u>
Total Deductions	<u>12,827</u>
Change in Net Assets	(22,143)
Net Assets Beginning of Year	<u>237,091</u>
Net Assets End of Year	<u><u>\$ 214,948</u></u>

See accompanying notes to the basic financial statements.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 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 employees who provide services to 2,750 students and other community members.

Reporting Entity

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

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

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

The School District does not have any component units.

The District is associated with four organizations, which are defined as jointly governed. These organizations include the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Cooperative, the Greene County Career Center, and the Bellbrook/Sugarcreek Education Foundation. These organizations are presented in Note 18 to the basic financial statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

A. Basis Of Presentation

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds 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.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Fund Financial Statements

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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

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

The accrual basis of accounting utilized on the government-wide financial statements and by private purpose trust funds recognizes revenues when they are earned, and expenses are recognized at the time they are incurred. Agency funds do not have a measurement focus.

E. Budget Data

With the exception of the Miscellaneous Federal Grants Special Revenue Fund, the fund used to account for funds and services provided by the County Educational Service Center on behalf of the School District, and 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 2009.

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

F. Cash, Cash Equivalents, and Investments

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

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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 certificate of deposits; 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 2009 amounted to \$25,576, which includes the General Fund's allocation as well as the allocations of all funds not specified in the Board's resolution. Interest revenue was also reported in the Permanent Improvement Fund, non-major governmental funds, and private purpose trust funds in the amounts of \$7,535, \$(187), and \$(21,888). The negative interest revenue reported in the non-major governmental funds and private purpose trust funds resulted from decreases in the fair value of investments recorded in those funds.

G. Estimates

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

H. Capital Assets and Depreciation

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

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

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

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

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

I. Interfund Activity

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

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and special termination benefits 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.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. At June 30, 2009 the School District had no net assets restricted by enabling legislation.

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

M. Reservations of Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances and property taxes.

N. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets in the Building Fund represent cash held as retainage for contractors.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2009, the School District has implemented GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value as well as certain financial statement disclosures.

The implementation of this standard did not have an effect on the School Districts financial statements for fiscal year 2009.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

At June 30, 2009 the General Fund, Title II-A Grant fund and Food Service fund had deficit fund balances of \$2,943,752, \$164 and \$20,240, respectively. The deficit in the General Fund as well as the other non-major funds resulted from the accrual of various liabilities. Management expects having necessary resources available when the obligations become due in the fiscal year 2010. The general fund is liable for any deficit in any other fund and provides operating transfers or advances when cash is required, not when accruals occur.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

As noted above, the General Fund reported a deficit of \$2,943,752 at year end. To address the financial needs of the School District, voters passed a renewal levy in May of 2009 and a 5.5 mill replacement levy in August 2009. The replacement levy is anticipated to generate approximately \$2.4 million of additional tax revenue per year for the School District. Another aspect of both levies is they were made permanent instead of term levies; therefore, the School District will not have to go to the ballot every five years as it had in the past.

Ohio Revised Code Section 5705.41(B) prohibits expenditures plus encumbrances from exceeding appropriation levels within a fund at the established legal level of control. At June 30, 2009 the General Fund had expenditures plus encumbrances that exceeded appropriation levels.

Ohio Revised Code Section 5705.10(H) states that monies from one fund may not be used to cover the expenses of another fund. Therefore a negative cash balance in a fund may indicate that monies from another fund were used to cover expenses of the fund reporting the negative cash balance. At June 30, 2009 the School District's General Fund reported a negative cash balance of \$226,081.

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 reservation of fund balance (GAAP basis).
4. Proceeds and repayment of short-term notes are reported as revenue and disbursements (budget basis) rather than through liability accounts (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ (947,906)
Revenue Accruals	274,454
Expenditure Accruals	(855,106)
Encumbrances	(174,978)
Proceeds of Short-Term Debt	1,000,000
Transfers	<u>545</u>
Budget Basis	<u>\$ (702,991)</u>

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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 a “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 certificate of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

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

Cash on Hand

At fiscal year end, the School District had \$2,850 in undeposited cash on hand which is included on the basic financial statements of the School District as part of “equity in pooled cash, cash equivalents, and investments”.

Deposits

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

At year end, the carrying amount of the School District’s deposits was \$2,047,597 and the bank balance was \$2,102,009. Of the bank balance, \$264,825 was covered by federal depository insurance and the remaining \$1,837,184 was not exposed to custodial risk because it was secured by collateral pools of U.S. government and municipal securities established by each respective financial institution for the purpose of pledging a pool of collateral against all public deposits held, as permitted by Ohio law.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009, consisted of current and delinquent property taxes and accounts (rent and student fees). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 8 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State Law at 35 percent of appraised market value. All property is required to be reevaluated every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the prior year. For 2008, tangible personal property is assessed at 6.25 percent for property. For 2009, this percentage was reduced to zero. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Sugarcreek Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The full tax rate for all District operations for the year ended June 30, 2009 was \$68.50 per \$1,000 of assessed value. The assessed values upon which the fiscal year 2009 taxes were collected are as follows:

	<u>2009 First Half Collections</u>	<u>2008 Second Half Collections</u>
Agricultural/residential And other real estate	\$ 507,314,910	\$ 458,071,860
Public utility personal	12,649,220	12,344,930
Tangible personal property	<u>3,704,508</u>	<u>7,679,367</u>
Total	<u>\$ 523,668,638</u>	<u>\$ 478,096,157</u>

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of June 30, 2009. Although total property tax collections for the next year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2009 was recognized as revenue.

The amount available as an advance at June 30 was \$222,444 in the General Fund, \$162,239 in the Bond Retirement Debt Service Fund and \$31,287 in the Permanent Improvement Capital Projects Fund. These amounts have been recorded as a reserve of fund balance.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<i><u>Capital Assets, not being depreciated</u></i>				
Land	\$ 3,432,055	\$ -	\$ -	\$ 3,432,055
Construction in Progress	<u>1,430,677</u>	<u>-</u>	<u>(1,430,677)</u>	<u>-</u>
Total Non-depreciable Capital Assets	<u>4,862,732</u>	<u>-</u>	<u>(1,430,677)</u>	<u>3,432,055</u>
<i><u>Capital Assets, being depreciated</u></i>				
Land Improvements	2,546,125	3,161,491	-	5,707,616
Buildings and Improvements	58,869,586	34,093	-	58,903,679
Furniture and Equipment	1,501,644	-	-	1,501,644
Vehicles	<u>3,111,010</u>	<u>-</u>	<u>(9,100)</u>	<u>3,101,910</u>
	<u>66,028,365</u>	<u>3,195,584</u>	<u>(9,100)</u>	<u>69,214,849</u>
<i><u>Less: Accumulated Depreciation</u></i>				
Land Improvements	(917,175)	(185,216)	-	(1,102,391)
Buildings and Improvements	(9,882,807)	(1,748,924)	-	(11,631,731)
Furniture and Equipment	(865,713)	(84,864)	-	(950,577)
Vehicles	<u>(2,002,100)</u>	<u>(221,916)</u>	<u>5,688</u>	<u>(2,218,328)</u>
	<u>(13,667,795)</u>	<u>(2,240,920) *</u>	<u>5,688</u>	<u>(15,903,027)</u>
Depreciable Capital Assets, Net	<u>52,360,570</u>	<u>954,664</u>	<u>(3,412)</u>	<u>53,311,822</u>
Total Capital Assets, Net	<u>\$ 57,223,302</u>	<u>\$ 954,664</u>	<u>\$ (1,434,089)</u>	<u>\$ 56,743,877</u>

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

Instruction:	
Regular	\$ 61,506
Special	1,392
Support Services:	
Business	87,919
Operation and maintenance of plant	777
Pupil transportation	157,102
Central	7,890
Operation of non-instructional services	10,658
Extracurricular activities	106,007
Unallocated depreciation	<u>1,807,669</u>
Total Depreciation Expense	<u>\$ 2,240,920</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.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 10 - 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 2009 the School District contracted with Selective Insurance Company for building and business property insurance. This policy has a limit of insurance in the amount of \$300 million for property and a \$1,000 deductible. Boiler and Crime are included in the policy. Fleet insurance has a \$1 million limit of liability. General liability insurance is under Selective of South Carolina Insurance Company and has a \$1 million per occurrence and \$3 million aggregate limitation. The Treasurer is bonded separately. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Employers/Audit Resources.

SUGARCREEK LOCAL SCHOOL DISTRICT

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four funds (Pension Trust, Death Benefit, Medicare B, and Health Care) of the system. For fiscal year 2009 the allocation to Pension and Death Benefits was 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$441,624, \$440,172 and \$405,636 respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal years ended June 30, 2009, 2008 and 2007 plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion allocated to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,623,648, \$1,549,608, and \$1,471,800, respectively, equal to required contributions for each year.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the SERS/STRS. As of June 30, 2009, two members of the Board of Education have elected social security. The School District's liability is 6.2 percent of wages paid.

NOTE 12 – POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Interested parties may obtain additional information regarding the benefits provided each system by obtaining the respective *Comprehensive Annual Financial Report* by following the directions noted in Note 11 above.

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The amount of the School District's contributions to STRS allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007 were \$115,975, \$110,685, and \$105,129, respectively; 100 percent has been contributed for all years.

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two postemployment benefit plans, Medicare Part B and Health Care Plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which may be obtained using the contact information noted in the preceding disclosure.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Medicare Part B Plan: The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, 2008 and 2007, the actuarially required allocations were 0.75, 0.66 and 0.68 percent of covered payroll, respectively. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009 and 2008 were \$20,819 and \$21,380, respectively; 100 percent has been contributed for all years.

Health Care Plan: Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

Active members do not make contributions to the postemployment benefit plans. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The 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 benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2009, 2008 and 2007, the health care allocations were 4.16, 4.18 and 3.32 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credits earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The amount of the School District's contributions to SERS allocated to the Health Care Plan for the years ended June 30, 2009, 2008, and 2007 were \$179,030, \$152,302, and \$148,275, respectively; 100 percent has been contributed for all years.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 13 – OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

District classified employees earn vacation leave at varying rates based upon negotiated agreements and State laws. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the District as a whole amounted to \$69,259 at June 30, 2009.

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 as of June 30, 2009 was \$1,442,839.

NOTE 14 - LONG-TERM OBLIGATIONS

Activity of the School District's long-term obligations at June 30, 2009 was as follows:

	<u>Balance</u> <u>6/30/2008</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2009</u>	<u>Due within</u> <u>One Year</u>
General Obligation Bonds:					
1994 School Construction					
Capital Appreciation 5-5.3%	\$ 482,502	\$ 17,498	\$ (500,000)	\$ -	\$ -
2003 Multi-Purpose Bonds:					
Current Interest 2%-5.25%	9,855,000	-	(1,200,000)	8,655,000	1,975,000
Capital Appreciation 4.13%-4.23%	864,221	58,641	-	922,862	-
2006 Refunding Bonds:					
Current Interest 3.75%-4.50%	34,210,000	-	(100,000)	34,110,000	65,000
Capital Appreciation 4.03%-4.12%	336,095	93,063	-	429,158	-
Deferred Amounts:					
Add: Bond Premium	2,210,608	-	(101,089)	2,109,519	-
Less: Deferred Refunding Amount	<u>(1,279,133)</u>	<u>-</u>	<u>70,934</u>	<u>(1,208,199)</u>	<u>-</u>
Total General Obligation Bonds	46,679,293	169,202	(1,830,155)	45,018,340	2,040,000
Compensated Absences	1,372,854	139,244	(134,503)	1,377,595	137,760
Capital Lease Obligation	<u>5,538,728</u>	<u>-</u>	<u>(391,974)</u>	<u>5,146,754</u>	<u>435,884</u>
Total Long-Term Obligations	<u>\$ 53,590,875</u>	<u>\$ 308,446</u>	<u>\$ (2,356,632)</u>	<u>\$ 51,542,689</u>	<u>\$ 2,613,644</u>

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

General Obligation Bonds

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

- \$34,625,000 of general obligation bonds issued in 2006 to provide resources to advance refund \$34,625,000 of current interest, general obligation bonds issued in 2003. These bonds include current interest and capital appreciation bonds. The capital appreciation bonds will mature in fiscal year 2019, 2020 and 2021. The maturity amount of the capital appreciation bonds is \$4.33 million. For fiscal year 2009, \$93,063 was accreted for a total bond value of \$429,158.
- In 2003, nearly \$48 million of general obligation bonds was issued to 1) provide \$43,985,000 for the construction of a new middle school building and 2) advance refund \$4,005,000 of general obligation bonds issued in 1994. These bonds include current interest bonds and capital appreciation bonds. The capital appreciation bonds will mature in fiscal years 2013 and 2014. The maturity amount of the capital appreciation bonds is \$1.2 million. For fiscal year 2009, \$58,641 was accreted for a total bond value of \$922,862.
- Approximately \$10 million issued in fiscal year 1994 and maturing in fiscal year 2016, for the construction of a high school building. These bonds include current interest bonds and capital appreciation bonds. All the current interest bonds were advance refunded in 2003. For fiscal year 2009, an additional \$17,498 was accreted bringing the total value of the capital appreciation bond to the maturity value of \$500,000 which was paid during the year.

Principal and interest requirements to retire the District's long-term general obligation bonds outstanding at June 30, 2009 are as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	2,040,000	1,786,916	3,826,916
2011	1,135,000	1,726,622	2,861,622
2012	1,260,000	1,679,904	2,939,904
2013	1,283,784	1,758,485	3,042,269
2014	1,369,078	1,760,474	3,129,552
2015-19	5,065,742	9,634,218	14,699,960
2020-24	7,548,416	7,614,134	15,162,550
2025-29	13,525,000	3,816,806	17,341,806
2030-32	10,890,000	716,550	11,606,550
Total	<u>\$ 44,117,020</u>	<u>\$ 30,494,109</u>	<u>\$ 74,611,129</u>

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Other Long-Term Obligations

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

Debt Limitations

The School District's voted legal debt margin, as determined under Ohio Revised Code Section 133.06(B), was approximately \$4.9 million and the unvoted debt margin was \$523,669 at June 30, 2009.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capitalized lease agreements to provide financing for the local initiatives related the school construction and renovation project, the purchase of school buses, renovation of the athletic stadium, purchase of computer equipment, as well as the construction of a bus maintenance facility. These leases meet the criteria of capital leases defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefit and risks of ownership to the leasee. Principal payments on these capital leases will be reflected as debt service expenditures 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, 2009.

	Fiscal Year Ending June 30,	
	2010	661,821
	2011	620,648
	2012	608,328
	2013	332,414
	2014	331,133
	2015-2019	1,656,323
	2020-2024	1,645,064
	2025-2029	1,037,719
	2030-2034	478,423
	2035-2038	<u>286,690</u>
Total Minimum Lease Payments		7,658,563
Less: Amount Representing Interest		<u>(2,511,809)</u>
Present Value of Minimum Lease Payments		<u>\$ 5,146,754</u>

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

The capital assets acquired by lease agreements have been capitalized in the statement of net assets for governmental activities in the amount of \$6,528,253 (\$1,758,180 of buildings and improvements, \$3,336,459 of land improvements, \$657,000 of vehicles and \$776,614 of equipment), which is equal to the present value of the minimum lease payments at the time of acquisition. The corresponding liability is split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net assets for governmental activities. Principal payments in fiscal year 2008 totaled \$391,974.

NOTE 16 – SHORT-TERM OBLIGATIONS

During fiscal year 2009, the School District issued \$1.0 million of Tax Anticipation Notes (TAN) for cash flow purposes. The TAN was issued on January 9, 2009 and matured on March 10, 2009. The TAN carried an interest rate of 3.84 percent per annum. The School District’s short-term debt obligations activity for fiscal year 2009 was as follows:

	<u>Balance</u> <u>6/30/2008</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2009</u>
Tax Anticipation Notes:				
2009 TAN 3.84%	\$ -	\$ 1,000,000	\$ (1,000,000)	\$ -
Total Short-Term Obligations	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ (1,000,000)</u>	<u>\$ -</u>

NOTE 17 - INTERFUND ACTIVITY

Transfers between funds for fiscal year 2009 included the following:

<u>Transfers-In</u>	<u>Transfers-Out</u>			<u>Total</u>
	<u>General</u>	<u>Permanent Improvement</u>	<u>Non-Major Governmental</u>	
Debt Service	\$ -	\$ 157,835	\$ -	\$ 157,835
Permanent Improvement	30,610	-	174,000	204,610
Non-Major Governmental	<u>3,045</u>	<u>-</u>	<u>-</u>	<u>3,045</u>
Total	<u>\$ 33,655</u>	<u>\$ 157,835</u>	<u>\$ 174,000</u>	<u>\$ 365,490</u>

The transfer from the permanent improvement fund to the debt service fund was to provide funds to make regularly scheduled debt payments on capital lease obligations. The transfer to the permanent improvement fund from the general and building funds (non-major governmental fund) was to provide funds for the stadium renovation project. The building fund had excess funds available after the school construction project was completed and by State statute, those funds may be transferred to another capital project fund. The transfer from the general fund to the non-major governmental funds was to provide operating funds to the food service fund as well as to recognize that the amount due from the Title VI fund would not be repaid.

The \$226,081 amount due from the General Fund to the Debt Service Fund was recorded as a result of the deficit cash balance reported by the General Fund at June 30, 2009. The deficit cash balance indicates the General Fund used cash of another fund to pay obligations during the year. The General Fund’s negative cash position in the School District’s pooled cash will be corrected in fiscal year 2010.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

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

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 \$71,370 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Cooperative

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

Greene County Career Center

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

Bellbrook/Sugarcreek Education Foundation

The Bellbrook/Sugarcreek Education Foundation is a community-based, unincorporated, non-profit organization established for the exclusive purposes of promoting the quality of schools and educational programs in the Sugarcreek Local School District and funding college scholarships for graduates of the Sugarcreek Local School District. A seven member Board of Trustees govern the Foundation, consisting of the School District's Superintendent and Treasurer, an appointed member of the School District's Board of Education and four persons appointed by the Financial Advisory Committee of the School District. The Greene County Community Foundation maintains all assets of the Foundation in trust and the Board of Trustees must approve any disbursement of funds.

SUGARCREEK LOCAL SCHOOL DISTRICT

Greene County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 19 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

Litigation

The School District's attorney estimates that any potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. Amounts not spent by year-end or reduced by offsetting credits must be held in cash at year-end and carried forward to be used for the same purpose in future years. Excess of offsets and qualifying disbursements over the set-aside requirement during the year for textbooks and other instructional materials may carry forward to the next year to reduce the set-aside requirement of future years.

	<u>Textbooks</u>	<u>Capital Spending</u>	<u>Totals</u>
Set-aside Reserve Balance as of June 30, 2007	\$ (2,385,664)	\$(37,955,273)	\$(40,340,937)
Current Year Set-aside Requirement	413,649	413,649	827,298
Qualifying Disbursements	<u>(590,108)</u>	<u>(3,042,205)</u>	<u>(3,632,313)</u>
Total	<u>\$ (2,562,123)</u>	<u>\$(40,583,829)</u>	<u>\$(43,145,952)</u>
Balance Carried Forward to FY 2009	<u>\$ (2,562,123)</u>	<u>\$(37,955,273)</u>	

The School District had qualifying disbursements during the year that reduced the set-aside below zero for capital acquisition. The carryover amount in Capital Spending is limited to the balance of the offsets attributed to bond or tax levy proceeds.

NOTE 21 – SUBSEQUENT EVENTS

In August 2009, the voters of the School District approved a 5.5 mill replacement, continuing, property tax levy that will generate an additional \$2.4 million of property tax revenue per year. Approximately one-half of the additional revenue will be received by the School District in fiscal year 2010. The full amount of the additional property tax revenue will be received beginning with fiscal year 2011.

Sugarcreek Local School District
Greene County, Ohio

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU	10.553	\$ 7,287	\$ -	\$ 7,287	\$ -
School Lunch Program	LLP4	10.555	<u>120,437</u>	<u>21,112</u>	<u>120,437</u>	<u>21,112</u>
Total United States Department of Agriculture - Nutrition Cluster			<u>127,724</u>	<u>21,112</u>	<u>127,724</u>	<u>21,112</u>
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States	6BSF	84.027	429,295	-	429,295	-
Special Education Preschool Grants	PGS1	84.173	<u>15,828</u>	<u>-</u>	<u>15,828</u>	<u>-</u>
Total Special Education Cluster			<u>445,123</u>	<u>-</u>	<u>445,123</u>	<u>-</u>
Title I Grants to Local Education Agencies	C1S1	84.010	172,555	-	172,555	-
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	5,892	-	5,892	-
State Grants for Innovative Programs	C2S1	84.298	1,936	-	1,936	-
Education Technology State Grants	TJS1	84.318	1,615	-	1,615	-
Improving Teacher Quality State Grant	TRS1	84.367	<u>53,505</u>	<u>-</u>	<u>52,855</u>	<u>-</u>
Total United States Department of Education			<u>680,626</u>	<u>-</u>	<u>679,976</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 808,350</u>	<u>\$ 21,112</u>	<u>\$ 807,700</u>	<u>\$ 21,112</u>

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

**Sugarcreek Local School District
Greene County, Ohio**

*Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2009*

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received.



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

Members of the Board
Sugar creek Local School District
60 East South Street
Bellbrook, Ohio 45305

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sugar creek Local School District (the School District) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 23, 2009 in which we identified a going concern issue for the School District and also in which we indicate that the School District implemented GASB Statement No. 52. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial misstatement.

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

We noted certain other matters reported to the School District in a separate report dated October 23, 2009.

Members of the Board

Sugarcreek Local School District

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

Page 2

Compliance and Other Matters

As part of reasonably assuring whether the School 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, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as items 2009-01 and 02.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We noted certain noncompliance and other matters reported to the School District in a separate report dated October 23, 2009.

We intend this report solely for the information and use of the management, members of the Board, and federal awarding agencies and pass-through entities, we intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

October 23, 2009



Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Members of the Board
Sugarcreek Local School District
60 East South Street
Bellbrook, Ohio 45305

Compliance

We have audited the compliance of the Sugarcreek Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. The School District is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

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

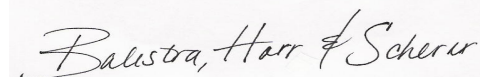
Internal Control Over Compliance (Continued)

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program compliance requirement.

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

We intend this report for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
October 23, 2009

Sugarcreek Local School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2009

Summary of Auditor's Results

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant control deficiencies conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Special Education Cluster: CFDA #84.027 & CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

Sugarcreek Local School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2009

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

Finding Number 2009-01

Material Noncompliance

Ohio Revised Code 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The District had appropriations exceeding the available revenue in the General Fund and Permanent Improvement Fund by \$174,181 and \$76,348, respectively. The District should obtain an amended appropriation measure when it is determined that not all the estimated resources will be obtained.

Clients Response:

We currently monitor the amended certificates closely, but this year we finished the fiscal year in the red and that triggered several citations. We passed a levy and made cutbacks to resolve the problem. We will make monthly or semi-monthly corrections and amendments.

Finding Number 2009-02

Material Noncompliance

Ohio Rev. Code 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. There was a negative fund balance in the General Fund at year end in the amount of \$226,081. The District should monitor fund balances and make legal transfers (approved by Board) to those funds in need of additional resources.

Clients Response:

We passed a levy and made three million in cutbacks. This won't happen again because we will monitor our cash balance to cover unexpected downturns in tax revenue.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Independent Auditor's Report on Applying Agreed-Upon Procedures

Members of the Board
Sugarcreek Local School District
60 East South Street
Bellbrook, Ohio 45305

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

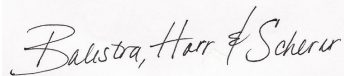
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Sugarcreek Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 13, 2007.
2. We read the policy, noting it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

October 23, 2009



Mary Taylor, CPA
Auditor of State

SUGARCREEK LOCAL SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 5, 2010**