



Dave Yost • Auditor of State

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY**

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EDGEWOOD CITY SCHOOL DISTRICT
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Edgewood City School District
Butler County
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Edgewood City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of Edgewood City School District, Butler County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 1, 2018

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The management's discussion and analysis of the Edgewood City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities decreased \$1,468,916 which represents a 32.83% decrease from 2016.
- General revenues accounted for \$35,416,485 in revenue or 81.33% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$8,129,631 or 18.67% of total revenues of \$43,546,116.
- The District had \$45,015,032 in expenses related to governmental activities; only \$8,129,631 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$35,416,485 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$36,533,877 in revenues other financing sources and \$34,464,627 in expenditures. During fiscal year 2017, the general fund's fund balance increased \$2,069,250 from a fund balance of \$11,165,114 to a fund balance of \$13,234,364.
- Another District major governmental fund, the debt service fund, had \$2,501,415 in revenues and \$3,470,747 in expenditures. During fiscal year 2017, the debt service fund's fund balance decreased \$969,332 from a balance of \$2,749,648 to a balance of \$1,780,316.
- Another District major governmental fund, the classroom facilities fund, had \$12,641 in revenues. During fiscal year 2017, the classroom facilities fund's fund balance increased \$12,641 from a balance of \$818,855 to a balance of \$831,496.

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 the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, classroom facilities fund and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 18-19 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, classroom facilities fund and the debt service fund.

Governmental Funds

Most of the 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 accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 20-24 of this report.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of fiduciary net position and changes in fiduciary net position on pages 25 and 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-63 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 64-70 of this report.

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities 2017	Governmental Activities 2016
<u>Assets</u>		
Current and other assets	\$ 37,390,465	\$ 37,577,846
Capital assets, net	<u>54,610,069</u>	<u>56,454,602</u>
Total assets	<u>92,000,534</u>	<u>94,032,448</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	405,401	840,232
Pension	<u>11,997,969</u>	<u>4,828,675</u>
Total deferred outflows of resources	<u>12,403,370</u>	<u>5,668,907</u>
<u>Liabilities</u>		
Current liabilities	4,638,378	4,273,126
Long-term liabilities:		
Due within one year	2,316,242	2,314,790
Due in more than one year:		
Net pension liability	56,724,981	44,439,058
Other amounts	<u>33,942,147</u>	<u>36,224,265</u>
Total liabilities	<u>97,621,748</u>	<u>87,251,239</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	12,725,666	14,095,268
Pension	<u>-</u>	<u>2,829,442</u>
Total deferred inflows of resources	<u>12,725,666</u>	<u>16,924,710</u>
<u>Net Position</u>		
Net Investment in capital assets	21,812,576	22,482,769
Restricted	5,100,758	5,284,982
Unrestricted (deficit)	<u>(32,856,844)</u>	<u>(32,242,345)</u>
Total net position (deficit)	<u>\$ (5,943,510)</u>	<u>\$ (4,474,594)</u>

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

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

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

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

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

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,943,510. Of this total, \$5,100,758 is restricted in use.

At year-end, capital assets represented 59.36% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2017 was \$21,812,576. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$5,100,758, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$32,856,844. The deficit balance of unrestricted net position was the result of reporting the net pension liability required by GASB 68.

The table below shows the change in net position for fiscal years 2017 and 2016.

	Change in Net Position	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,689,221	\$ 2,705,852
Operating grants and contributions	4,418,230	3,624,112
Capital grants and contributions	22,180	29,292
General revenues:		
Property taxes	17,957,061	15,952,914
Payments in lieu of taxes	58,524	-
Grants and entitlements	17,199,277	16,757,468
Investment earnings	86,320	119,299
Other	<u>115,303</u>	<u>116,019</u>
Total revenues	<u>\$ 43,546,116</u>	<u>\$ 39,304,956</u>

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Change in Net Position (Continued)

	<u>Governmental Activities 2017</u>	<u>Governmental Activities 2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 18,526,720	\$ 15,787,266
Special	6,064,738	5,580,918
Other	84,175	97,062
Support services:		
Pupil	3,218,368	2,622,177
Instructional staff	1,525,145	1,157,876
Board of education	209,487	137,844
Administration	2,549,195	1,964,054
Fiscal	873,227	852,900
Business	154,636	100,098
Operations and maintenance	5,412,712	4,581,736
Pupil transportation	1,721,877	1,442,398
Central	411,639	393,521
Operations of non-instructional services:		
Other non-instructional services	17,169	17,062
Food service operations	1,858,341	1,494,882
Extracurricular activities	1,070,147	980,128
Interest and fiscal charges	<u>1,317,456</u>	<u>1,488,586</u>
Total expenses	<u>45,015,032</u>	<u>38,698,508</u>
Change in net position	(1,468,916)	606,448
Net position at beginning of year (deficit)	<u>(4,474,594)</u>	<u>(5,081,042)</u>
Net position at end of year (deficit)	<u>\$ (5,943,510)</u>	<u>\$ (4,474,594)</u>

Governmental Activities

Net position of the District's governmental activities decreased \$1,468,916. Total governmental expenses of \$45,015,032 were offset by program revenues of \$8,129,631 and general revenues of \$35,416,485. Program revenues supported 18.06% of the total governmental expenses.

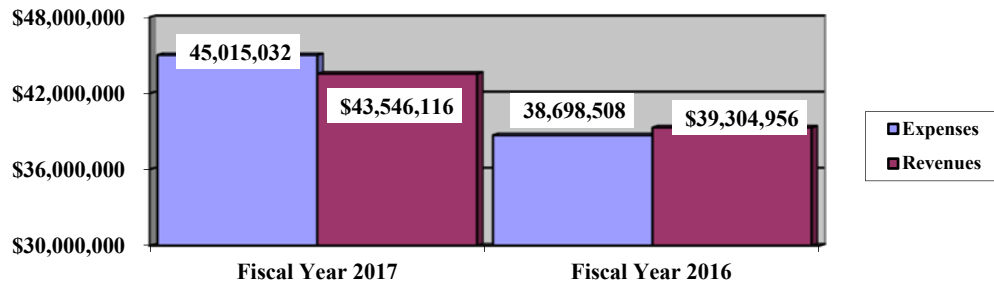
The primary sources of revenue for governmental activities are derived from property taxes, payment in lieu of taxes, and grants and entitlements. These revenue sources represent 80.87% of total governmental revenue. Real estate property is reappraised every six years. Property taxes increased \$2,004,147 or 12.56% primarily due to a fluctuation in the amount of taxes available as an advance to the District at June 30, 2017 and June 30, 2016. Grants and entitlements increased \$441,809 or 2.64% primarily due to the District receiving significant Medicaid reimbursements in the current fiscal year.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2017 and 2016.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities

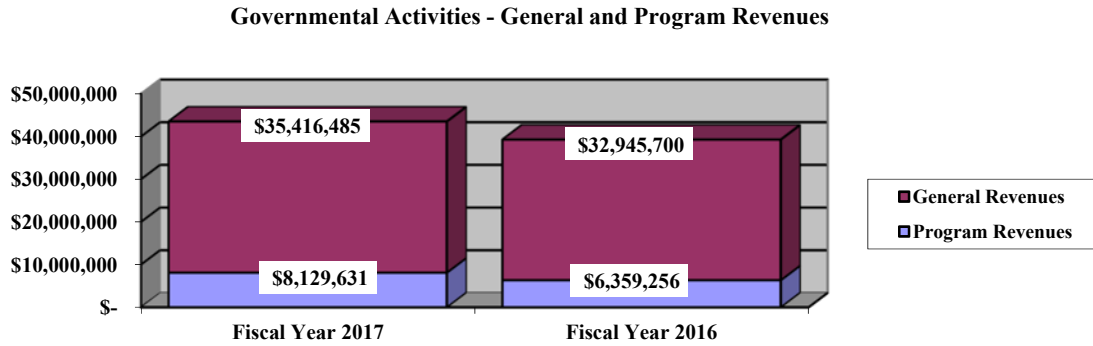
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
<u>Program expenses</u>				
Instruction:				
Regular	\$ 18,526,720	\$ 16,521,541	\$ 15,787,266	\$ 14,382,842
Special	6,064,738	2,882,110	5,580,918	3,213,186
Other	84,175	84,175	97,062	97,062
Support services:				
Pupil	3,218,368	2,953,304	2,622,177	2,474,504
Instructional staff	1,525,145	1,353,491	1,157,876	1,083,854
Board of education	209,487	209,487	137,844	137,844
Administration	2,549,195	2,523,405	1,964,054	1,933,904
Fiscal	873,227	873,227	852,900	852,900
Business	154,636	154,636	100,098	100,098
Operations and maintenance	5,412,712	5,156,916	4,581,736	4,327,071
Pupil transportation	1,721,877	1,662,950	1,442,398	1,398,619
Central	411,639	411,639	393,521	393,521
Operation of non-instructional services:				
Other non-instructional services	17,169	9,046	17,062	8,154
Food service operations	1,858,341	69,100	1,494,882	(119,424)
Extracurricular activities	1,070,147	702,918	980,128	566,531
Interest and fiscal charges	1,317,456	1,317,456	1,488,586	1,488,586
Total	\$ 45,015,032	\$ 36,885,401	\$ 38,698,508	\$ 32,339,252

The dependence upon tax and other general revenues for governmental activities is apparent, as 78.98% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.94%. Taxes and intergovernmental state revenues are by far the primary sources of support for the District's students.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$17,681,902, which is higher than last year's total of \$16,662,986. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	Increase (Decrease)	Percentage Change
General	\$ 13,234,364	\$ 11,165,114	\$ 2,069,250	18.53 %
Debt service	1,780,316	2,749,648	(969,332)	(35.25) %
Classroom facilities	831,496	818,855	12,641	1.54 %
Other governmental	<u>1,835,726</u>	<u>1,929,369</u>	<u>(93,643)</u>	(4.85) %
Total	<u>\$ 17,681,902</u>	<u>\$ 16,662,986</u>	<u>\$ 1,018,916</u>	6.11 %

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

General Fund

The District's general fund balance increased \$2,069,250. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 14,892,939	\$ 13,586,870	\$ 1,306,069	9.61 %
Tuition	1,802,840	965,415	837,425	86.74 %
Earnings on investments	77,461	101,720	(24,259)	(23.85) %
Intergovernmental	18,712,108	17,909,978	802,130	4.48 %
Other revenues	<u>1,034,734</u>	<u>953,424</u>	<u>81,310</u>	8.53 %
Total	<u>\$ 36,520,082</u>	<u>\$ 33,517,407</u>	<u>\$ 3,002,675</u>	8.96 %
<u>Expenditures</u>				
Instruction	\$ 20,959,557	\$ 20,083,637	\$ 875,920	4.36 %
Support services	12,717,501	11,248,934	1,468,567	13.06 %
Operation of non-instructional services	150,432	10,267	140,165	1,365.20 %
Extracurricular activities	589,955	588,298	1,657	0.28 %
Facilities acquisition and construction	2,111	-	2,111	100.00 %
Debt service	<u>45,071</u>	<u>45,441</u>	<u>(370)</u>	(0.81) %
Total	<u>\$ 34,464,627</u>	<u>\$ 31,976,577</u>	<u>\$ 2,488,050</u>	7.78 %

Revenues of the general fund increased \$3,002,675 or 8.96%. The largest increase was in the area of taxes which increased \$1,306,069 or 9.61%. This increase is primarily due to a fluctuation in the amount of taxes available as an advance to the District at June 30, 2017 and June 30, 2016. Tuition revenue increased \$837,425 or 86.74% due to an increase in open enrollment.

Expenditures of the general fund increased \$2,488,050 or 7.78%. Operation of non-instructional services increased \$140,165 or 1,365.20% due to a change in accounting for outstanding student fees during fiscal year 2017. Support services increased \$1,468,567 or 13.06% primarily due to an increase in pupil, instructional staff and operations and maintenance expenditures. All other revenue and expenditures remained comparable to the prior fiscal year.

Debt Service Fund

The debt service fund, had \$2,501,415 in revenues and \$3,470,747 in expenditures. During fiscal year 2017, the debt service fund's fund balance decreased \$969,332 from \$2,749,648 to \$1,780,316.

Classroom Facilities Fund

The classroom facilities fund, had \$12,641 in revenues. During fiscal year 2017, the classroom facilities fund's fund balance increased \$12,641 from a balance of \$818,855 to a balance of \$831,496. At June 30, 2017, the close-out process for the District's OFCC project has not be finalized.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$34,633,156, which was more than the original budgeted revenues and other financing sources estimate of \$33,987,562. Actual revenues and other financing sources for fiscal year 2017 was \$34,494,382.

General fund final appropriations and other financing uses of \$34,609,191 were less than the original budgeted appropriations of \$34,336,935. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$34,399,139, which was \$210,052 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$54,610,069 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table show June 30, 2017 balances compared to June 30, 2016:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 2,330,689	\$ 2,330,689
Construction in progress	-	23,400
Land improvements	1,382,301	1,239,694
Building and improvements	48,372,402	50,505,749
Equipment and furniture	1,170,704	1,051,986
Vehicles	<u>1,353,973</u>	<u>1,303,084</u>
Total	<u>\$ 54,610,069</u>	<u>\$ 56,454,602</u>

The overall decrease in capital assets of \$1,844,533 is primarily due to depreciation expense of \$2,808,188 exceeding capital outlays of \$963,655. See Note 8 to the basic financial statements for additional information on the District's capital assets.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Debt Administration

At June 30, 2017, the District had \$33,377,376 in general obligation bonds outstanding. Of this total, \$2,072,376 is due within one year and \$31,305,000 is due in greater than one year.

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2017	Governmental Activities 2016
General obligation bonds:		
Refunding bonds	\$ 31,425,000	\$ 31,545,000
Capital appreciation bonds	1,086,000	2,199,979
Accreted interest on bonds	866,376	1,568,977
Lease purchase agreement	-	44,000
Total	\$ 33,377,376	\$ 35,357,956

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District receives the majority of its funding from two sources: local property taxes and state foundation. The percentages for fiscal year 2017 for the general operating fund were 43% and 49% respectively. In addition, as a result of ballot initiatives, the State of Ohio authorized the construction of four casinos around the state. A portion of the revenues generated from these casinos is targeted for public schools, based on the District's enrollment. Districts' receive payments each August and January. The District received approximately \$185,000 for fiscal year 2017. Regarding expenditures, salaries and benefits comprise approximately 79% of total general fund operating expenses and 78% of general fund operating revenues. The District received a onetime payment of approximately \$625,000 in Medicaid payments due to a recalculation of reimbursements for fiscal year 2010 through fiscal year 2014.

The District's five-year forecast shows strong cash balances through fiscal year 2020. On May 5, 2015, the District placed a 5.40 mil substitute levy (this was replacing the expiring 6.19 mil substitute levy passed in November 2010) on the ballot. This levy passed by 153 votes. This levy generates approximately \$2.6M per year.

Included in this forecast are amounts related to negotiated agreements with both of our bargaining units. In December 2013, the Board and OAPSE agreed on a new contract for fiscal years 2015 through 2017. All members of OAPSE received a \$500 bonus payable in fiscal year 2014 and a 2% raise each year for the next three fiscal years beginning in fiscal year 2015. All members who were eligible also received steps in accordance with their experience. The bonus and 2% increases were also put in place for all exempt and administrative employees.

In December 2015, the Board and OAPSE agreed to extend the contract for fiscal years 2016 through 2017. All members of OAPSE received a \$500 bonus payable in fiscal year 2016 and a 2% raise each year for the next three fiscal years beginning in fiscal year 2017. All members who were eligible also received steps in accordance with their experience. The bonus and 2% increases were also put in place for all exempt employees. In August 2016, the OAPSE contract was once again revised to reflect the "we too" clause in their contract with respect to salaries and benefits. The "we too" clause states that any increases over and above their contract that might be negotiated with the teachers bargaining unit, and/or changes in benefits, will also be afforded to all OAPSE members.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

In August 2014, the Board and ETA agreed on a new contract for fiscal years 2015 and 2016. The agreement called for a 2% increase in the base salary for both years. In addition, all members who were eligible also received steps in accordance with their experience. In June 2016, a new three-year contract was negotiated with the ETA. The new contract called for a 3%, 2.5% and 2% base salary increase for fiscal years 2017, 2018 and 2019, respectively. Fiscal years 2020 through 2022 include increases of 4% for step increases as well as advances due to additional educational hours (i.e. Bachelor's Degree to Masters). These increases were also instituted with all OAPSE members due to the "we too" (see above) clause.

Health care costs continue to be a significant part of the District's fringe benefit expenditures. This industry nationwide has seen double digit increases over the last several years. These increases have been felt by our District and have placed a considerable strain on our overall fringe benefit costs. Since its inception, the District was a member in a county wide consortium that participated in a self-funded health and dental plan. Effective January 1, 2012, the District left the consortium and instead opted to go with a fully insured company for health and dental insurances.

The District just received their renewal notice for calendar year 2018. The increase will only be 5%, with a guarantee that the increase in calendar year 2019 will not exceed 7%. Both of these rates were factored in to the five-year forecast. For the remainder of the forecast, a 12% increase was factored in.

When our brokers took our dental plan to market last year, the current carrier (MetLife) was proposing a 30% increase. Fortunately, the market review offered other options. Superior Dental came in with a -6.5% decrease from our current rates, and guaranteed no increase the second (fiscal year 2017) year, and a rate for fiscal year 2018 not to exceed 5%. The result of this switch saved the District \$126,000 for fiscal years 2016 through 2018 from what was originally forecasted. The forecast reflects those increases as well as a 6% increase each of the remaining three years.

Fiscal year 2017 still reflects a 90/10 split between board share and employee share for health and dental insurances. Included in the new ETA contract, all employees, including the classified staff, is language that states the split will go to 88/12 in fiscal year 2018 and 85/15 in fiscal year 2019 and beyond. This will save the District significant dollars as we move forward.

The District is required by law to pay 14% of an employees' salary into the State Teachers Retirement System or School Employees Retirement System. As salaries increase or decrease, the portion the District pays into the retirement systems increases or decreases accordingly.

Our workers comp premium for the last several calendar years averaged between \$150,000 and \$160,000. Our forecast includes a modest increase of 3% for each year as we continue to see positive effects for programs that have been implemented in the district as well as rebates we receive for participating in a Group Retro Plan sponsored by the Cincinnati Regional Chamber of Commerce and managed by Sheakley.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Randy Stiver, Treasurer, Edgewood City School District, 3440 Busenbark Road, Trenton, Ohio, 45067-9798.

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 18,471,744
Receivables:	
Property taxes	16,046,891
Accounts.	23,623
Accrued interest.	22,418
Intergovernmental	2,770,545
Prepayments	11,228
Materials and supplies inventory.	8,892
Inventory held for resale.	35,124
Capital assets:	
Nondepreciable capital assets	2,330,689
Depreciable capital assets, net.	52,279,380
Capital assets, net	54,610,069
Total assets.	92,000,534
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	405,401
Pension - STRS	9,078,376
Pension - SERS	2,919,593
Total deferred outflows of resources	12,403,370
Liabilities:	
Accounts payable.	202,010
Accrued wages and benefits payable	3,635,330
Intergovernmental payable	109,596
Pension and postemployment benefits.	580,743
Accrued interest payable	110,699
Long-term liabilities:	
Due within one year.	2,316,242
Due in more than one year:	
Net pension liability	56,724,981
Other amounts due in more than one year	33,942,147
Total liabilities	97,621,748
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	12,725,666
Total deferred inflows of resources	12,725,666
Net position:	
Net investment in capital assets	21,812,576
Restricted for:	
Capital projects	2,783,892
Classroom facilities maintenance.	1,139,221
Debt service.	816,872
Other purposes	36,431
Extracurricular	136,853
Food service operations	187,489
Unrestricted (deficit)	(32,856,844)
Total net position (deficit).	\$ (5,943,510)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 18,526,720	\$ 1,978,082	\$ 27,097	\$ -	\$ (16,521,541)
Special	6,064,738	297,026	2,885,602	-	(2,882,110)
Other	84,175	-	-	-	(84,175)
Support services:					
Pupil	3,218,368	918	264,146	-	(2,953,304)
Instructional staff	1,525,145	27,627	144,027	-	(1,353,491)
Board of education	209,487	-	-	-	(209,487)
Administration	2,549,195	25,790	-	-	(2,523,405)
Fiscal	873,227	-	-	-	(873,227)
Business	154,636	-	-	-	(154,636)
Operations and maintenance	5,412,712	226,812	6,804	22,180	(5,156,916)
Pupil transportation	1,721,877	19,839	39,088	-	(1,662,950)
Central	411,639	-	-	-	(411,639)
Operation of non-instructional services:					
Other non-instructional services	17,169	-	8,123	-	(9,046)
Food service operations	1,858,341	788,541	1,000,700	-	(69,100)
Extracurricular activities	1,070,147	324,586	42,643	-	(702,918)
Interest and fiscal charges	1,317,456	-	-	-	(1,317,456)
Total governmental activities	\$ 45,015,032	\$ 3,689,221	\$ 4,418,230	\$ 22,180	(36,885,401)

General revenues:

Property taxes levied for:	
General purposes	14,911,456
Debt service	2,080,058
Facilities maintenance	189,812
Capital outlay	775,735
Payments in lieu of taxes	58,524
Grants and entitlements not restricted	
to specific programs	17,199,277
Investment earnings	86,320
Miscellaneous	115,303
Total general revenues	35,416,485
Change in net position	(1,468,916)
Net position (deficit) at beginning of year	(4,474,594)
Net position (deficit) at end of year	\$ (5,943,510)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Debt Service	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 13,780,458	\$ 1,780,316	\$ 828,346	\$ 2,082,624	\$ 18,471,744
Receivables:					
Property taxes	13,061,957	2,015,131	-	969,803	16,046,891
Accounts	13,453	-	-	10,170	23,623
Accrued interest	19,268	-	3,150	-	22,418
Interfund loans	206,600	-	-	-	206,600
Intergovernmental	78,565	-	2,332,261	359,719	2,770,545
Prepayments	10,932	-	-	296	11,228
Materials and supplies inventory	-	-	-	8,892	8,892
Inventory held for resale	-	-	-	35,124	35,124
Total assets	<u>\$ 27,171,233</u>	<u>\$ 3,795,447</u>	<u>3,163,757</u>	<u>\$ 3,466,628</u>	<u>\$ 37,597,065</u>
Liabilities:					
Accounts payable	\$ 90,057	\$ -	\$ -	\$ 111,953	\$ 202,010
Accrued wages and benefits payable	3,355,192	-	-	280,138	3,635,330
Compensated absences payable	39,637	-	-	-	39,637
Intergovernmental payable	102,888	-	-	6,708	109,596
Pension and postemployment benefits	525,043	-	-	55,700	580,743
Interfund loans payable	-	-	-	206,600	206,600
Total liabilities	<u>4,112,817</u>	<u>-</u>	<u>-</u>	<u>661,099</u>	<u>4,773,916</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	9,759,354	2,001,500	-	964,812	12,725,666
Delinquent property tax revenue not available	52,957	13,631	-	4,991	71,579
Intergovernmental revenue not available	7,299	-	2,332,261	-	2,339,560
Accrued interest not available	4,442	-	-	-	4,442
Total deferred inflows of resources	<u>9,824,052</u>	<u>2,015,131</u>	<u>2,332,261</u>	<u>969,803</u>	<u>15,141,247</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	-	-	-	8,892	8,892
Prepays	10,932	-	-	296	11,228
Restricted:					
Debt service	-	1,780,316	-	-	1,780,316
Capital improvements	-	-	831,496	100,277	931,773
Classroom facilities maintenance	-	-	-	1,139,221	1,139,221
Food service operations	-	-	-	244,466	244,466
Other purposes	-	-	-	36,431	36,431
Extracurricular	-	-	-	136,853	136,853
Committed:					
Capital improvements	-	-	-	205,848	205,848
Student and staff support	216,994	-	-	-	216,994
Student instruction	38,666	-	-	-	38,666
Assigned:					
Student instruction	15,288	-	-	-	15,288
Student and staff support	204,309	-	-	-	204,309
Subsequent year's appropriations	414,509	-	-	-	414,509
Other purposes	3,830	-	-	-	3,830
Unassigned (deficit)	12,329,836	-	-	(36,558)	12,293,278
Total fund balances	<u>13,234,364</u>	<u>1,780,316</u>	<u>831,496</u>	<u>1,835,726</u>	<u>17,681,902</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 27,171,233</u>	<u>\$ 3,795,447</u>	<u>\$ 3,163,757</u>	<u>\$ 3,466,628</u>	<u>\$ 37,597,065</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$ 17,681,902
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		54,610,069
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 71,579	
Accrued interest receivable	4,442	
Intergovernmental receivable	2,339,560	
Total	2,415,581	2,415,581
Unamortized premiums on bonds issued are not recognized in the funds.		(1,172,036)
Unamortized amounts on refundings are not recognized in the funds.		405,401
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources - pension	11,997,969	
Net pension liability	(56,724,981)	
Total	(44,727,012)	(44,727,012)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(110,699)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(8,720,000)	
General obligation capital appreciation bonds	(1,086,000)	
General obligation serial bonds	(9,820,000)	
General obligation term bonds	(12,885,000)	
Accreted interest payable	(866,376)	
Compensated absences	(1,669,340)	
Total	(35,046,716)	(35,046,716)
Net position of governmental activities		\$ (5,943,510)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 14,892,939	\$ 2,069,737	\$ -	\$ 965,423	\$ 17,928,099
Payment in lieu of taxes	58,524	-	-	-	58,524
Tuition	1,802,840	-	-	-	1,802,840
Transportation fees	17,364	-	-	-	17,364
Earnings on investments	77,461	-	12,641	2,822	92,924
Charges for services	45,805	-	-	749,565	795,370
Extracurricular	301,977	-	-	285,909	587,886
Classroom materials and fees	281,007	-	-	-	281,007
Rental income	214,754	-	-	-	214,754
Contributions and donations	6,750	-	-	16,500	23,250
Other local revenues	108,553	-	-	100,725	209,278
Intergovernmental - state	18,079,914	431,678	-	168,765	18,680,357
Intergovernmental - federal	632,194	-	-	2,441,361	3,073,555
Total revenues	<u>36,520,082</u>	<u>2,501,415</u>	<u>12,641</u>	<u>4,731,070</u>	<u>43,765,208</u>
Expenditures:					
Current:					
Instruction:					
Regular	16,244,200	-	-	392,219	16,636,419
Special	4,631,182	-	-	1,035,622	5,666,804
Other	84,175	-	-	-	84,175
Support services:					
Pupil	2,770,024	-	-	272,251	3,042,275
Instructional staff	1,262,249	-	-	178,724	1,440,973
Board of education	208,138	-	-	-	208,138
Administration	2,268,160	-	-	15,000	2,283,160
Fiscal	780,392	33,551	-	14,477	828,420
Business	170,854	-	-	-	170,854
Operations and maintenance	3,423,622	-	-	470,607	3,894,229
Pupil transportation	1,447,485	-	-	176,955	1,624,440
Central	386,577	-	-	-	386,577
Operation of non-instructional services:					
Other non-instructional services	9,986	-	-	6,586	16,572
Food service operations	140,446	-	-	1,650,724	1,791,170
Extracurricular activities	589,955	-	-	328,550	918,505
Facilities acquisition and construction	2,111	-	-	356,953	359,064
Debt service:					
Principal retirement	44,000	1,233,979	-	-	1,277,979
Interest and fiscal charges	1,071	1,362,196	-	-	1,363,267
Accretion on capital appreciation bonds	-	841,021	-	-	841,021
Total expenditures	<u>34,464,627</u>	<u>3,470,747</u>	<u>-</u>	<u>4,898,668</u>	<u>42,834,042</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,055,455</u>	<u>(969,332)</u>	<u>12,641</u>	<u>(167,598)</u>	<u>931,166</u>
Other financing sources:					
Insurance proceeds	13,795	-	-	65,828	79,623
Total other financing sources	<u>13,795</u>	<u>-</u>	<u>-</u>	<u>65,828</u>	<u>79,623</u>
Net change in fund balances	2,069,250	(969,332)	12,641	(101,770)	1,010,789
Fund balances at beginning of year	11,165,114	2,749,648	818,855	1,929,369	16,662,986
Increase in reserve for inventory	-	-	-	8,127	8,127
Fund balances at end of year	<u>\$ 13,234,364</u>	<u>\$ 1,780,316</u>	<u>\$ 831,496</u>	<u>\$ 1,835,726</u>	<u>\$ 17,681,902</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER 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, 2017

Net change in fund balances - total governmental funds	\$	1,010,789
<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.		
Capital asset additions	\$ 963,655	
Current year depreciation	(2,808,188)	
Total		(1,844,533)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		8,127
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	28,962	
Earnings on investments	(5,486)	
Intergovernmental	(242,568)	
Total		(219,092)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Bonds	120,000	
Capital appreciation bonds	1,113,979	
Accreted interest on capital appreciation bonds	841,021	
Lease purchase agreement	44,000	
Total		2,119,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,773,448
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(5,060,635)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable	1,071	
Accreted interest on capital appreciation bonds	(138,420)	
Amortization of bond premiums	617,991	
Amortization of deferred charges	(434,831)	
Total		45,811
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(301,831)
Change in net position of governmental activities	\$	(1,468,916)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 12,786,574	\$ 12,998,103	\$ 12,945,453	\$ (52,650)
Payment in lieu of taxes.	57,417	58,762	58,524	(238)
Tuition.	1,771,956	1,810,172	1,802,840	(7,332)
Transportation fees.	14,137	14,764	14,704	(60)
Earnings on investments	87,988	106,770	106,338	(432)
Charges for services	28,501	-	-	-
Extracurricular.	52,303	53,682	53,465	(217)
Classroom materials and fees	91,588	93,722	93,342	(380)
Rental income	209,710	214,623	213,754	(869)
Other local revenues	50,193	48,935	48,737	(198)
Intergovernmental - state	17,873,321	18,225,765	18,151,938	(73,827)
Intergovernmental - federal	595,347	634,765	632,194	(2,571)
Total revenues	<u>33,619,035</u>	<u>34,260,063</u>	<u>34,121,289</u>	<u>(138,774)</u>
Expenditures:				
Current:				
Instruction:				
Regular	15,898,067	15,744,800	15,648,005	96,795
Special.	5,253,391	4,752,874	4,723,654	29,220
Other.	90,523	84,696	84,175	521
Support services:				
Pupil.	2,544,533	2,836,034	2,818,599	17,435
Instructional staff	1,364,384	1,218,637	1,211,145	7,492
Board of education	230,019	210,380	209,087	1,293
Administration.	2,184,044	2,186,693	2,173,250	13,443
Fiscal	933,795	879,705	874,297	5,408
Business	130,788	163,992	162,984	1,008
Operations and maintenance.	3,182,919	3,604,617	3,582,457	22,160
Pupil transportation	1,436,887	1,451,601	1,442,677	8,924
Central.	341,410	379,301	376,969	2,332
Other operation of non-instructional services	13,903	12,829	12,750	79
Extracurricular activities.	684,696	595,753	592,090	3,663
Debt service:				
Principal	45,399	44,272	44,000	272
Interest and fiscal charges.	2,177	1,078	1,071	7
Total expenditures	<u>34,336,935</u>	<u>34,167,262</u>	<u>33,957,210</u>	<u>210,052</u>
Excess of expenditures over revenues.	<u>(717,900)</u>	<u>92,801</u>	<u>164,079</u>	<u>71,278</u>
Other financing sources (uses):				
Refund of prior year's expenditures	26,334	26,869	26,869	-
Advances in.	329,179	329,179	329,179	-
Advances (out)	-	(441,929)	(441,929)	-
Insurance proceeds	9,475	13,795	13,795	-
Sale of capital assets	3,539	3,250	3,250	-
Total other financing sources (uses)	<u>368,527</u>	<u>(68,836)</u>	<u>(68,836)</u>	<u>-</u>
Net change in fund balance	(349,373)	23,965	95,243	71,278
Fund balance at beginning of year	12,651,725	12,651,725	12,651,725	-
Prior year encumbrances appropriated	516,746	516,746	516,746	-
Fund balance at end of year	<u>\$ 12,819,098</u>	<u>\$ 13,192,436</u>	<u>\$ 13,263,714</u>	<u>\$ 71,278</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 17,893	\$ 62,694
Total assets.	<u>17,893</u>	<u>\$ 62,694</u>
Liabilities:		
Accounts payable.	-	\$ 385
Due to students.	<u>-</u>	<u>62,309</u>
Total liabilities	<u>-</u>	<u>\$ 62,694</u>
Net position:		
Held in trust for scholarships	<u>17,893</u>	
Total net position.	<u>\$ 17,893</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 16,850
Total additions.	16,850
 Deductions:	
Scholarships awarded	19,930
Change in net position	(3,080)
 Net position at beginning of year.	 20,973
 Net position at end of year	 \$ 17,893

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Edgewood City School District (the "District") was formed on February 14, 1968 with the consolidation of Trenton City School District and Shiloh Local School District. Today, the District operates under current standards prescribed by the Ohio State Board of Education, as provided in division (D) of Section 3301.07, and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. This Board controls the District's instructional and support facilities, staffed by 248 certified full-time teaching and administrative personnel and 163 classified personnel, who provide services to approximately 3,800 students and other community members.

The District ranks as the 124th largest by enrollment among the 918 public school districts and community schools in the State. It currently operates 3 elementary schools, 1 middle school and 1 comprehensive high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three-county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge, dependent upon the software package utilized.

The Governing Board of SWOCA is comprised of the superintendent of each of the member districts, plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from K. Michael Crumley, who serves as Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Butler Technology & Career Development Schools

The Technology & Career Development Schools is a vocational school district, and is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Technology & Career Development School accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

B. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. 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, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

C. 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 also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from an exchange transaction, 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the 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 (See Note 6).

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, see Note 12 for deferred outflows of resources related to the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available 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 restricted for the payment of general obligation bond principal, interest and related costs.

Classroom Facilities fund - The classroom facilities fund is used to account for financial resources and expenditures related to the school facilities construction and renovation project.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The specific timetable for fiscal year 2017 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Butler County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2017.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2017.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments."

During fiscal year 2017, the District had investments in negotiable certificates of deposit, U.S. government money market mutual funds, federal agency securities and in the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$77,461, which includes \$16,817 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool are considered to be cash equivalents. Investments not part of the cash management pool with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment accounts at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis. On the government wide financial statements, inventories are expensed when used. On the fund financial statements, an expenditure is recorded when the inventory is purchased. Inventories are accounted for using the consumption method on the statement of activities and the purchase method on the governmental fund statements. On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs 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 land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	10 - 30 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the financial statement date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any age with 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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 due. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and lease-purchase agreements are recognized as a liability on the fund financial statements when due.

L. Unamortized Bond Premium and Discount/Issuance Costs/Unamortized Accounting Gain or Loss

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On fund financial statements and the government wide financial statements, issuance costs are expended/expensed in the fiscal year they occur.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.A.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. On the fund financial statements, reported prepayments are offset by a nonspendable fund balance.

P. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/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/uses in governmental funds and are eliminated on the statement of activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

During fiscal year 2017 there were no interfund transfers.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Pensions

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

S. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 13,656
Title I	10,978
Improving teacher quality	11,924

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Cash on Hand

At fiscal year end, the District had \$1,100 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$9,093,616. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$250,000 of the District's bank balance of \$9,666,093 was covered by the FDIC, while \$9,416,093 was exposed to custodial risk as discussed below.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District does not have a deposit policy specifically addressing its depository accounts with financial institutions.

C. Investments

Investments are made in order to seek preservation of capital in the portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The portfolio is managed in such a way as to equal or exceed the market average rate of return. The portfolio remains sufficiently liquid to enable the District to meet reasonably anticipated operational requirements.

The District may invest in those instruments defined in Chapter 135 ORC and other relevant sections of the Ohio Revised Code at a price not exceeding their fair market value. Cash flow requirements are considered in determining the term of an investment. Provided these requirements have been satisfied, maturity length is determined by market conditions and interest rate forecasts. Investments of the District are diversified to eliminate the risk of loss resulting from over concentration of assets in a specific investment instrument. All investments and deposits are collateralized pursuant to the Ohio Revised Code.

In addition to these policies, all relevant sections of the Ohio Revised Code are adhered to at all times.

As of June 30, 2017, the District had the following investments and maturity:

Measurement/ Investment type	Measurement Amount	Investment Maturities			
		6 months or less	7 to 12 months	19 to 24 months	Greater than 24 months
<i>Amortized Cost:</i>					
STAR Ohio	\$ 2,562,810	\$ 2,562,810	\$ -	\$ -	\$ -
<i>Fair Value:</i>					
U.S. Government money market mutual fund	168,263	168,263	-	-	-
FNMA	992,300	-	-	-	992,300
FHLMC	2,988,340	-	-	-	2,988,340
FHLB	994,510	-	-	-	994,510
Negotiable CD's	1,751,392	500,033	500,268	500,939	250,152
Total	\$ 9,457,615	\$ 3,231,106	\$ 500,268	\$ 500,939	\$ 5,225,302

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is 2.12 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs).

The District's investments in negotiable certificates of deposit and federal agency securities are valued using quoted market prices that are not considered too be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM money market rating by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in federal agency securities and U.S. Government money markets were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable CD's are fully covered by the FDIC and are not rated.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
STAR Ohio	\$ 2,562,810	27.10
U.S. Government money market mutual fund	168,263	1.78
FNMA	992,300	10.49
FHLMC	2,988,340	31.60
FHLB	994,510	10.51
Negotiable CD's	1,751,392	18.52
Total	<u>\$ 9,457,615</u>	<u>100.00</u>

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 9,093,616
Investments	9,457,615
Cash on hand	1,100
Total	\$ 18,552,331
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 18,471,744
Private-purpose trust fund	17,893
Agency fund	62,694
Total	\$ 18,552,331

NOTE 5 - INTERFUND TRANSACTIONS

At June 30, 2017, interfund loans receivable and payable reported in the fund financial statements consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 206,600

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Butler County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$3,249,646 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$1,302,160 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the receivable has been offset by a deferred inflow.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 319,777,190	71.55	\$ 319,505,760	71.82
Public utility personal	<u>127,152,030</u>	<u>28.45</u>	<u>125,366,160</u>	<u>28.18</u>
Total	<u>\$ 446,929,220</u>	<u>100.00</u>	<u>\$ 444,871,920</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$46.66		\$49.70

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, accrued interest and intergovernmental grants and entitlements. 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 year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 16,046,891
Accounts	23,623
Accrued interest	22,418
Intergovernmental	<u>2,770,545</u>
Total	<u>\$ 18,863,477</u>

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - RECEIVABLES - (Continued)

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$2,332,261 of intergovernmental grants due from the Ohio Facilities Construction Commission (OFCC), are expected to be collected in the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

<u>Governmental activities:</u>	<u>Balance</u>			<u>Balance</u>
	<u>06/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/17</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,330,689	\$ -	\$ -	\$ 2,330,689
Construction in progress	<u>23,400</u>	<u>-</u>	<u>(23,400)</u>	<u>-</u>
<i>Total capital assets, not being depreciated</i>	<u>2,354,089</u>	<u>-</u>	<u>(23,400)</u>	<u>2,330,689</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,847,434	224,450	-	2,071,884
Buildings and improvements	75,951,510	229,924	-	76,181,434
Equipment and furniture	5,285,722	344,727	-	5,630,449
Vehicles	<u>2,721,012</u>	<u>187,954</u>	<u>-</u>	<u>2,908,966</u>
<i>Total capital assets, being depreciated</i>	<u>85,805,678</u>	<u>987,055</u>	<u>-</u>	<u>86,792,733</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(607,740)	(81,843)	-	(689,583)
Buildings and improvements	(25,445,761)	(2,363,271)	-	(27,809,032)
Equipment and furniture	(4,233,736)	(226,009)	-	(4,459,745)
Vehicles	<u>(1,417,928)</u>	<u>(137,065)</u>	<u>-</u>	<u>(1,554,993)</u>
<i>Total accumulated depreciation</i>	<u>(31,705,165)</u>	<u>(2,808,188)</u>	<u>-</u>	<u>(34,513,353)</u>
Total capital assets, net	<u>\$ 56,454,602</u>	<u>\$ (1,821,133)</u>	<u>\$ (23,400)</u>	<u>\$ 54,610,069</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,110,070
Special	648
<u>Support services:</u>	
Pupil	413
Instructional staff	6,539
Administration	9,679
Fiscal	733
Operations and maintenance	1,458,768
Pupil transportation	138,989
Extracurricular activities	79,962
Food service operations	<u>2,387</u>
Total depreciation expense	<u>\$ 2,808,188</u>

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LEASE-PURCHASE AGREEMENTS

On June 30, 2004, the District entered into a \$439,000 lease-purchase agreement with Columbus Regional Airport Authority to finance the construction, enlarging or other improvement, furnishing and equipping, lease and eventual acquisition, of various building improvements on District sites. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. Principal payments in fiscal year 2017 totaled \$44,000 paid by the general fund.

The District fulfilled its lease-purchase agreements obligation during fiscal year 2017.

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2017, the following activity occurred in governmental activities long-term obligations:

	Balance 6/30/16	Increases	Decreases	Balance 6/30/17	Amount Due Within One Year
<u>Governmental activities:</u>					
<u>G.O. Refunding Bonds - Series 2005</u>					
Capital appreciation bonds	\$ 2,199,979	\$ -	\$ (1,113,979)	\$ 1,086,000	\$ 1,086,000
Accreted interest on bonds	1,568,977	138,420	(841,021)	866,376	866,376
<u>G.O. Bonds - Series 2011</u>					
Current interest bonds	2,680,000	-	(85,000)	2,595,000	85,000
<u>2013 Series Bonds</u>					
Serial bonds	9,820,000	-	-	9,820,000	-
Term bonds	12,885,000	-	-	12,885,000	-
<u>2015 Series Bonds</u>					
Serial bonds	6,160,000	-	(35,000)	6,125,000	35,000
Net pension liability	44,439,058	12,285,923	-	56,724,981	-
Lease purchase agreements	44,000	-	(44,000)	-	-
Compensated absences	<u>1,391,072</u>	<u>592,656</u>	<u>(274,751)</u>	<u>1,708,977</u>	<u>243,866</u>
Total	<u>\$ 81,188,086</u>	<u>\$ 13,016,999</u>	<u>\$ (2,393,751)</u>	91,811,334	<u>\$ 2,316,242</u>
Unamortized premium on refunding bonds				<u>1,172,036</u>	
Total long-term liabilities on statement of net position				<u>\$ 92,983,370</u>	

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds - Series 2005: On March 15, 2005, the District issued general obligation refunding bonds, which included both current interest and capital appreciation bonds, in order to advance refund \$15,040,000 of the General Obligation Bonds - Series 1999 improvement bonds. The proceeds from the issuance were used to purchase securities, which were placed in an irrevocable trust in order to provide resources for all future debt service payments on the advance refunded debt. This advance refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 1999 improvement bonds at June 30, 2017 was \$9,440,000.

The advance refunding issue is comprised of both current interest bonds, par value \$12,840,000, and capital appreciation bonds, par value \$2,199,979. The average interest rate on the current interest bonds is 3.90%. During fiscal year 2016, the District advance refunded the callable portion (\$6,515,000) of the current interest bonds through the issuance of Series 2015 refunding bonds (see below). The capital appreciation bonds mature December 1, 2016 and December 1, 2017 (effective interest rate 4.878%) at a redemption price equal to 100% of the principal, plus accreted interest to the redemption date. The present value of the capital appreciation bonds reported on the statement of net position at June 30, 2017 is \$1,952,376. Total accreted interest of \$866,376 has been included on the statement of net position.

School Improvement Series 2011 - On November 17, 2011, the District issued \$2,980,000 in general obligations bonds to provide financing for various construction projects. The issue is comprised current interest bonds, par value \$2,595,000 outstanding at June 30, 2017. The interest rates on the current interest bonds range from 2.00% - 4.375%. The bonds have a final maturity date of December 1, 2037.

General Obligation Unlimited Tax Refunding Bonds - Series 2013 - On July 11, 2013, the District issued series 2013 General Obligation Unlimited Tax Refunding Bonds to advance refund the Series 2009 School Improvement General Obligation Unlimited Tax Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded general obligation bonds at June 30, 2017, is \$22,820,000.

This refunding issue is comprised of both serial and term bonds, in the amount of \$9,820,000 and \$12,885,000, respectively. The interest rates on the serial and term bonds range from 2.625% to 5.000% and 4.750% to 5.250%, respectively. The bonds were issued for a twenty-four year period, with final maturity during fiscal year 2038. The bonds will be retired through the debt service fund.

Issuance proceeds totaling \$23,304,883 were deposited with an escrow agent. These bonds were issued with a premium of \$851,522, which were reported as an other financing source on the fund financial statements. The issuance costs of \$249,951 were reported as an expenditure on the fund financial statements.

Interest payments on the serial and term current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2028 for the serial bond and December 1, 2033 and 2037 for the term bonds.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The \$6,235,000 current interest term bond maturing on December 1, 2033, shall bear interest at the rate of 5.250% per year and be subject to mandatory sinking fund redemption on December 1, 2029, and each December 1 thereafter (with the balance of \$1,465,000 to be paid at stated maturity on December 1, 2033), at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year (December 1)</u>	<u>Amount</u>
2029	\$ 1,075,000
2030	1,170,000
2031	1,230,000
2032	1,295,000

The \$6,650,000 current interest term bond maturing on December 1, 2037, shall bear interest at the rate of 4.750% per year and be subject to mandatory sinking fund redemption on December 1, 2034, and each December 1 thereafter (with the balance of \$1,800,000 to be paid at stated maturity on December 1, 2037), at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year (December 1)</u>	<u>Amount</u>
2034	\$ 1,530,000
2035	1,600,000
2036	1,720,000

The reacquisition price exceeded the net carrying amount of the old debt by \$329,883. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

General Obligation Unlimited Tax Refunding Bonds - Series 2015 - On October 7, 2015, the District issued series 2015 General Obligation Unlimited Tax Refunding Bonds to advance refund the Series 2005 General Obligation bonds. The proceeds from the issuance were used to purchase securities, which were placed in an irrevocable trust in order to provide resources for all future debt service payments on the advance refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2005 general obligation bonds at June 30, 2017, is \$6,515,000.

This refunding issue is comprised of current interest bonds, in the amount of \$6,125,000 outstanding at June 30, 2017. The interest rates range from 2.000% to 4.000%. The bonds were issued for a ten year period, with final maturity during fiscal year 2026. The bonds will be retired through the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$155,358. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Issuance proceeds totaling \$6,670,358 were deposited with an escrow agent. These bonds were issued with a premium of \$498,769, which were reported as an other financing source on the fund financial statements. The issuance costs of \$111,345 were reported as an expenditure on the fund financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Interest payments on the serial and term current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2025.

Lease Purchase Agreements: See Note 9 for details.

Net Pension Liability: See Note 12 for details.

Compensated Absences: Compensated absences will be paid out of the funds from which the employee's salaries are paid, which is primarily the general fund for the District.

- B.** Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	<u>General Obligation Refunding Bonds - Series 2005</u>		
	<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,086,000	\$ 914,000	\$ 2,000,000
Total	<u>\$ 1,086,000</u>	<u>\$ 914,000</u>	<u>\$ 2,000,000</u>

Fiscal Year Ending June 30,	<u>General Obligation Refunding Bonds - Series 2015</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 35,000	\$ 169,750	\$ 204,750
2019	2,150,000	147,900	2,297,900
2020	475,000	121,650	596,650
2021	500,000	111,900	611,900
2022	585,000	101,050	686,050
2023 - 2026	<u>2,380,000</u>	<u>179,200</u>	<u>2,559,200</u>
Total	<u>\$ 6,125,000</u>	<u>\$ 831,450</u>	<u>\$ 6,956,450</u>

Fiscal Year Ending June 30,	<u>School Improvement Bonds - Series 2011</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2018	\$ 85,000	\$ 99,679
2019	100,000	97,894	197,894
2020	90,000	95,794	185,794
2021	90,000	93,319	183,319
2022	95,000	90,844	185,844
2023 - 2027	525,000	401,155	926,155
2028 - 2032	645,000	286,555	931,555
2033 - 2037	785,000	143,657	928,657
2038	<u>180,000</u>	<u>7,875</u>	<u>187,875</u>
Total	<u>\$ 2,595,000</u>	<u>\$ 1,316,772</u>	<u>\$ 3,911,772</u>

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	Current Interest Serial Bonds - Refunding 2013			Current Interest Term Bonds - Refunding 2013		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ -	\$ 1,091,175	\$ 1,091,175	\$ -	\$ -	\$ -
2019	50,000	1,091,175	1,141,175	-	-	-
2020	840,000	1,089,863	1,929,863	-	-	-
2021	850,000	1,065,712	1,915,712	-	-	-
2022	890,000	1,038,513	1,928,513	-	-	-
2023 - 2027	5,145,000	4,473,312	9,618,312	-	-	-
2028 - 2032	2,045,000	1,440,675	3,485,675	3,475,000	1,755,338	5,230,338
2033 - 2037	-	-	-	7,610,000	1,579,837	9,189,837
2038	-	-	-	1,800,000	85,500	1,885,500
Total	\$ 9,820,000	\$ 11,290,425	\$ 21,110,425	\$ 12,885,000	\$ 3,420,675	\$ 16,305,675

Fiscal Year Ending June 30,	Total - Refunding Bonds 2013		
	Principal	Interest	Total
2018	\$ -	\$ 1,091,175	\$ 1,091,175
2019	50,000	1,091,175	1,141,175
2020	840,000	1,089,863	1,929,863
2021	850,000	1,065,712	1,915,712
2022	890,000	1,038,513	1,928,513
2023 - 2027	5,145,000	4,473,312	9,618,312
2028 - 2032	5,520,000	3,196,013	8,716,013
2033 - 2037	7,610,000	1,579,837	9,189,837
2038	1,800,000	85,500	1,885,500
Total	\$ 22,705,000	\$ 14,711,100	\$ 37,416,100

C. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2017 are a legal voted debt margin of \$9,307,789 (including available funds of \$1,780,316), and a legal unvoted debt margin of \$444,872.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT

- A. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the District purchased commercial coverage for property and general liability insurance, including boilers and machinery valued at \$104,000,000 with a \$1,000,000 single occurrence limit and a \$2,500 deductible.

Professional liability is protected by Ohio Casualty with a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and a \$1,000 per claim deductible. Vehicles are covered by Ohio Casualty and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. The District also carries an umbrella policy with Ohio Casualty with a \$2,000,000 annual aggregate and a \$1,000,000 single occurrence limit.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2017.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

B. Workers' Compensation

As a penalty-rated organization, the District is not eligible for group rating due to the fact that the total claims cost, including compensation, medical costs and reserves, exceeded the established amount of the District's expected losses set by the Ohio Bureau of Workers' Compensation (BWC). However, the District does see the need to become proactive in the management of claims in order to decrease the financial impact of claims on the District's premiums. The District strives to implement workplace safety solutions and cost-saving strategies in order to be able to participate once again in the Group Rating Program. The District participates in the Cincinnati Regional Chamber Group Retrospective Plan. Participating employers pay their annual premiums as scheduled. The BWC will then conduct three (3) annual evaluations following the completion of the retro year to determine refund opportunities.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$618,859 for fiscal year 2017. Of this amount, \$127,645 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,154,589 for fiscal year 2017. Of this amount, \$360,396 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.14494090%	0.13086982%	
Proportion of the net pension liability current measurement date	<u>0.15362430%</u>	<u>0.13587393%</u>	
Change in proportionate share	<u>0.00868340%</u>	<u>0.00500411%</u>	
Proportionate share of the net pension liability	\$ 11,243,881	\$ 45,481,100	\$ 56,724,981
Pension expense	\$ 1,364,414	\$ 3,696,221	\$ 5,060,635

At June 30, 2017, the District reported deferred outflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 151,654	\$ 1,837,653	\$ 1,989,307
Net difference between projected and actual earnings on pension plan investments	927,458	3,776,153	4,703,611
Changes of assumptions	750,591	-	750,591
Difference between District contributions and proportionate share of contributions/ change in proportionate share	471,031	1,309,981	1,781,012
District contributions subsequent to the measurement date	<u>618,859</u>	<u>2,154,589</u>	<u>2,773,448</u>
Total deferred outflows of resources	<u>\$ 2,919,593</u>	<u>\$ 9,078,376</u>	<u>\$ 11,997,969</u>

\$2,773,448 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 638,606	\$ 1,229,853	\$ 1,868,459
2019	637,941	1,229,853	1,867,794
2020	757,583	2,678,865	3,436,448
2021	<u>266,604</u>	<u>1,785,216</u>	<u>2,051,820</u>
Total	<u>\$ 2,300,734</u>	<u>\$ 6,923,787</u>	<u>\$ 9,224,521</u>

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 14,886,198	\$ 11,243,881	\$ 8,195,111

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 60,440,686	\$ 45,481,100	\$ 32,861,807

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the District's surcharge obligation was \$85,713.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$85,713, \$76,235, and \$106,966, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 95,243
Net adjustment for revenue accruals	1,861,217
Net adjustment for expenditure accruals	(45,426)
Net adjustment for other sources/uses	(13,015)
Funds budgeted elsewhere	(135,463)
Adjustment for encumbrances	306,694
GAAP basis	<u>\$ 2,069,250</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the uniform school supplies fund and the public school support fund.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District has no lawsuits outstanding.

C. Foundation Funding

The District's foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	644,781
Current year offsets	<u>(644,781)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year-end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 307,023
Other governmental	<u>158,266</u>
Total	<u>\$ 465,289</u>

NOTE 18 - CONTINGENCIES

The District is a party to legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The District's management is of the opinion that the ultimate disposition of the various claims and legal proceedings will not have a material, adverse effect on the District's financial position.

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.15362430%	0.14494090%	0.14209100%	0.14209100%
District's proportionate share of the net pension liability	\$ 11,243,881	\$ 8,270,468	\$ 7,191,145	\$ 8,449,696
District's covered-employee payroll	\$ 5,046,350	\$ 4,363,475	\$ 4,128,882	\$ 3,802,132
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	222.81%	189.54%	174.17%	222.24%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.13587393%	0.13086982%	0.13003328%	0.13003328%
District's proportionate share of the net pension liability	\$ 45,481,100	\$ 36,168,590	\$ 31,628,594	\$ 37,675,774
District's covered-employee payroll	\$ 14,405,436	\$ 13,877,457	\$ 13,285,808	\$ 12,970,077
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	315.72%	260.63%	238.06%	290.48%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 618,859	\$ 706,489	\$ 575,106	\$ 572,263
Contributions in relation to the contractually required contribution	<u>(618,859)</u>	<u>(706,489)</u>	<u>(575,106)</u>	<u>(572,263)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,420,421	\$ 5,046,350	\$ 4,363,475	\$ 4,128,882
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 526,215	\$ 541,543	\$ 554,232	\$ 642,478	\$ 462,440	\$ 438,614
<u>(526,215)</u>	<u>(541,543)</u>	<u>(554,232)</u>	<u>(642,478)</u>	<u>(462,440)</u>	<u>(438,614)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,802,132	\$ 4,026,342	\$ 4,409,165	\$ 4,745,037	\$ 4,699,593	\$ 4,466,538
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,154,589	\$ 2,016,761	\$ 1,942,844	\$ 1,727,155
Contributions in relation to the contractually required contribution	<u>(2,154,589)</u>	<u>(2,016,761)</u>	<u>(1,942,844)</u>	<u>(1,727,155)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 15,389,921	\$ 14,405,436	\$ 13,877,457	\$ 13,285,808
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,686,110	\$ 1,871,552	\$ 2,042,071	\$ 2,117,459	\$ 2,066,198	\$ 1,918,574
<u>(1,686,110)</u>	<u>(1,871,552)</u>	<u>(2,042,071)</u>	<u>(2,117,459)</u>	<u>(2,066,198)</u>	<u>(1,918,574)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,970,077	\$ 14,396,554	\$ 15,708,238	\$ 16,288,146	\$ 15,893,831	\$ 14,758,262
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program - Food Commodities	10.555	N/A	\$53,657
School Breakfast Program	10.553	05-PU	191,489
National School Lunch Program	10.555	LLP4	645,725
Child Nutrition Cluster Total			<u>890,871</u>
Child and Adult Care Food Program	10.558	CCMO	<u>4,114</u>
Total U.S. Department of Agriculture			<u>894,985</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Part A:			
Title I Grants to Local Educational Agencies	84.010	C1S1	428,457
Title I Part A Total			<u>428,457</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	6BSF	873,852
Special Education - Preschool Grants	84.173	PGS1	4,254
Special Education Cluster Total			<u>878,106</u>
Improving Teacher Quality State Grants	84.367	TRS1	<u>77,568</u>
Total U.S. Department of Education			<u>1,384,131</u>
Total Expenditures of Federal Awards			<u>\$2,279,116</u>

The accompanying notes are an integral part of this schedule.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Edgewood City School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

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

Edgewood City School District
Butler County
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Edgewood City School District, Butler County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 1, 2018



Dave Yost • Auditor of State

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

Edgewood City School District
Butler County
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Edgewood City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Edgewood City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

February 1, 2018

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010 Title I Special Education Cluster (IDEA, Part B): CFDA #84.027 Special Education – Grants to State (IDEA, Part B) CFDA # 84.173 Special Education --Preschool
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

EDGEWOOD CITY SCHOOL DISTRICT

BUTLER 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
FEBRUARY 22, 2018**