

EDGEWOOD CITY SCHOOL DISTRICT

Butler County, Ohio

Single Audit

July 1, 2010 through June 30, 2011

Fiscal Year Audited Under GAGAS: 2011



Caudill & Associates, CPA

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Dave Yost • Auditor of State

Board of Education
Edgewood City School District
3500 Busenbark Road
Trenton, Ohio 45067

We have reviewed the *Independent Auditor's* Report of the Edgewood City School District, Butler County, prepared by Caudill & Associates, CPAs, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 6, 2012

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

TABLE OF CONTENTS

TITLE	Page
Independent Auditor’s Report	1
Management’s Discussion & Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	21
Statement of Fiduciary Net Assets – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets	23
Notes to the Basic Financial Statements.....	24
Schedule of Expenditures of Federal Awards.....	58
Notes to the Schedule of Expenditures of Federal Awards	59
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	62
Schedule of Findings and Questioned Costs – OMB Circular A-133 Section 505.....	64
Schedule of Prior Audit Findings – OMB Circular A-133 Section .315 (b).....	66
Independent Auditor’s Report on Applying Agreed-Upon Procedures.....	67

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Independent Auditor's Report

Edgewood City School District
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood City School District, Butler County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Edgewood City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Edgewood City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood City School District, as of June 30, 2011, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, on our consideration of the Edgewood City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of our testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standard*. You should read it in conjunction with this report in assessing the results of our audit.

Board of Education
Edgewood City School District

Independent Auditor's Report (Continued)

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Caudill & Associates, CPA

Caudill & Associates, CPA
January 31, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$2,010,325 which represents a 7.01% increase from 2010.
- General revenues accounted for \$30,487,547 in revenue or 78.70% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$8,252,053 or 21.30% of total revenues of \$38,739,600.
- The District had \$36,729,275 in expenses related to governmental activities; only \$8,252,053 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 \$30,487,547 were 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 \$28,759,630 in revenues and other financing sources and \$27,143,131 in expenditures. During fiscal year 2011, the general fund's fund balance increased \$1,616,499 from a restated fund deficit of \$1,191,481 to a fund balance of \$425,018.
- Another District major governmental fund, the debt service fund, had \$3,711,602 in revenues and \$3,536,714 in expenditures. During fiscal year 2011, the debt service fund's fund balance increased \$174,888 from \$3,569,342 to \$3,744,230.
- The District's other major governmental fund, the classroom facilities fund, had \$5,566,832 in revenues and \$15,892,481 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance decreased \$10,325,649 from \$29,800,862 to \$19,475,213.

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 assets 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, debt service fund and classroom facilities 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, 2011

Reporting the District as a Whole

Statement of Net Assets 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 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, 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 assets and changes in those assets. This change in net assets 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 assets 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 assets and statement of activities can be found on pages 15-16 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 10. 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, debt service fund and classroom facilities 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 assets 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 17-21 of this report.

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 assets and changes in fiduciary net assets on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 24-57 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 50,895,765	\$ 61,952,278
Capital assets	<u>44,391,939</u>	<u>29,387,120</u>
Total assets	<u>95,287,704</u>	<u>91,339,398</u>
<u>Liabilities</u>		
Current liabilities	20,450,641	17,666,993
Long-term liabilities	<u>44,166,051</u>	<u>45,011,718</u>
Total liabilities	<u>64,616,692</u>	<u>62,678,711</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	26,363,078	12,438,070
Restricted	7,736,351	21,735,268
Unrestricted (deficit)	<u>(3,428,417)</u>	<u>(5,512,651)</u>
Total net assets	<u>\$ 30,671,012</u>	<u>\$ 28,660,687</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$30,671,012.

Assets of the District increased \$3,948,306 or 2.06%. Current and other assets decreased \$11,056,513 or 17.85%. The most significant decrease was in the area of investments which relate to the District's Ohio School Facilities Commission (OSFC) project. These investments matured and the money was spent on capital assets. Property taxes receivable increased \$2,013,620 due to a substitute levy that was passed by the voters and collections began in fiscal year 2011. The most significant increase in capital assets was in the area of construction in progress which relates to the District's ongoing OSFC construction project.

Liabilities of the District increased \$1,937,981 or 3.09%. This increase is the result of an increase in unearned revenue of approximately \$1.8 million related to property taxes receivable to finance fiscal year 2012.

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

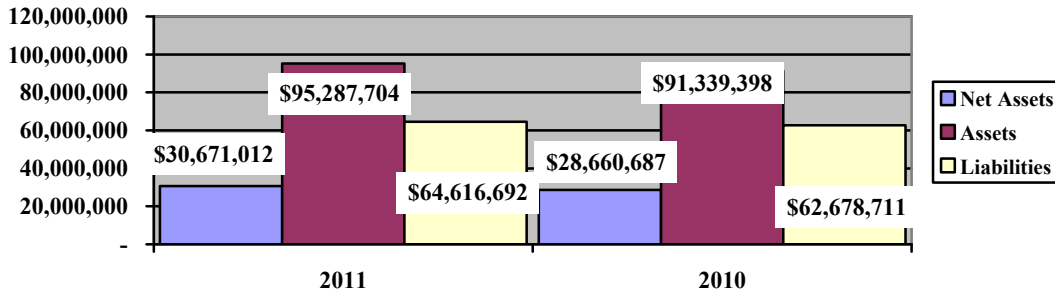
**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At year-end, capital assets represented 46.59% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$26,363,078. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s 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 assets, \$7,736,351, represents resources that are subject to external restriction on how they may be used. The largest decrease was in the area of net assets restricted for capital projects. These net assets were used in the construction of the District’s OSFC project which increased “invested in capital assets, net of related debt”. The remaining balance of unrestricted net assets is a deficit of \$3,428,417. This decreased from June 30, 2011 due to increased general fund revenues received from the substitute levy.

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2011 and 2010.

Governmental Activities



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The table below shows the change in net assets for the fiscal years ending June 30, 2011 and 2010. The 2010 balance of operating grants and contributions and general revenues – grants and entitlements have been restated to conform to 2011's presentation of PATHway to Student Success (PASS) funding from the State of Ohio which is reported as an operating grant and contribution rather than as general revenue.

	Change in Net Assets	
	Governmental Activities <u>2011</u>	Restated Governmental Activities <u>2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,714,759	\$ 1,722,503
Operating grants and contributions	6,510,094	5,130,528
Capital grants and contributions	27,200	25,000
General revenues:		
Property taxes	13,901,731	12,361,597
Payments in-lieu of taxes	686,505	701,266
Grants and entitlements	15,756,331	15,570,941
Ohio School Facilities Commission grant	-	20,651,699
Investment earnings	80,386	214,329
Other	<u>62,594</u>	<u>37,186</u>
 Total revenues	 <u>\$ 38,739,600</u>	 <u>\$ 56,415,049</u>

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets (Continued)

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 15,379,779	\$ 15,568,215
Special	4,032,334	4,492,529
Other	51,623	46,234
Support services:		
Pupil	2,575,331	2,861,839
Instructional staff	2,709,976	3,445,123
Board of education	174,231	203,364
Administration	2,049,544	2,475,767
Fiscal	666,536	614,473
Business	154,717	142,968
Operations and maintenance	2,696,833	2,737,372
Pupil transportation	1,346,177	1,328,588
Central	205,887	195,238
Operations of non-instructional services:		
Other non-instructional services	27,217	18,900
Food service operations	1,490,541	1,527,888
Extracurricular activities	518,141	633,153
Interest and fiscal charges	<u>2,650,408</u>	<u>2,124,258</u>
Total expenses	<u>36,729,275</u>	<u>38,415,909</u>
Change in net assets	2,010,325	17,999,140
Net assets at beginning of year	<u>28,660,687</u>	<u>10,661,547</u>
Net assets at end of year	<u>\$ 30,671,012</u>	<u>\$ 28,660,687</u>

Governmental Activities

Net assets of the District's governmental activities increased \$2,010,325. Total governmental expenses of \$36,729,275 were offset by program revenues of \$8,252,053 and general revenues of \$30,487,547. Program revenues supported 22.47% of the total governmental expenses.

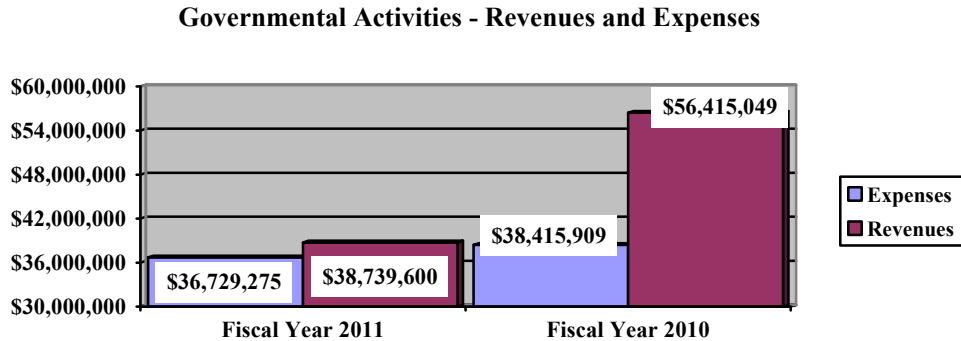
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 76.57% of total governmental revenue. Real estate property is reappraised every six years.

Revenues of the District decreased \$17,675,449 or 31.33%. This decrease is primarily the result of the OSFC grant entered into during fiscal year 2010. Operating grants and contributions increased \$1,379,566 or 26.89%. This is the result of the Education Jobs grant received by the District. Property taxes increased \$1,540,134 or 12.46% due to the passage of a substitute levy that began collections during fiscal year 2011. Expenses decreased \$1,686,634 or 4.39% due to cost cutting measures instituted by the District.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2011 and 2010.



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. The 2010 net cost of services for special instruction has been restated to conform to 2011's presentation of PASS funding from the State of Ohio which is reported as an operating grant and contribution offsetting special instruction.

Governmental Activities

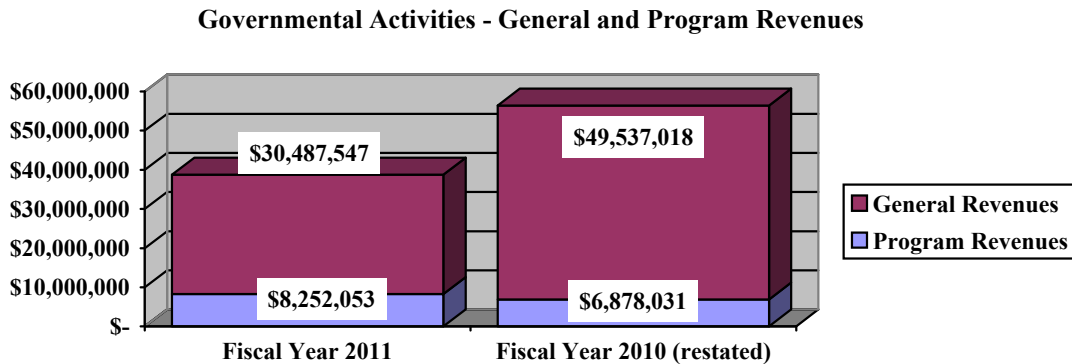
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Restated Net Cost of Services 2010
<u>Program expenses</u>				
Instruction:				
Regular	\$ 15,379,779	\$ 13,575,801	\$ 15,568,215	\$ 14,577,446
Special	4,032,334	1,472,018	4,492,529	1,996,111
Other	51,623	44,988	46,234	39,648
Support services:				
Pupil	2,575,331	2,165,591	2,861,839	2,324,855
Instructional staff	2,709,976	2,372,223	3,445,123	3,219,303
Board of education	174,231	34,117	203,364	29,072
Administration	2,049,544	1,982,476	2,475,767	2,420,385
Fiscal	666,536	666,536	614,473	614,473
Business	154,717	154,717	142,968	142,968
Operations and maintenance	2,696,833	2,319,293	2,737,372	2,337,327
Pupil transportation	1,346,177	1,099,497	1,328,588	1,285,749
Central	205,887	123,437	195,238	115,945
Operation of non-instructional services:				
Other non-instructional services	27,217	22,339	18,900	12,138
Food service operations	1,490,541	54,436	1,527,888	90,946
Extracurricular activities	518,141	317,065	633,153	526,631
Interest and fiscal charges	2,650,408	2,072,688	2,124,258	1,804,881
Total	\$ 36,729,275	\$ 28,477,222	\$ 38,415,909	\$ 31,537,878

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The dependence upon tax and other general revenues for governmental activities is apparent, as 77.54% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.53%. Taxes and intergovernmental state revenues are by far the primary sources of support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010. The 2010 program revenues and general revenues have been restated to conform to 2011's presentation of PASS funding from the State of Ohio which is reported as program revenue rather than as general revenue.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$26,604,743, which is lower than last year's total of \$34,852,116. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The fund balances (deficit) at June 30, 2010 have been restated as described in Note 3.B.

	Fund Balance June 30, 2011	Restated Fund Balance (Deficit) June 30, 2010	Increase (Decrease)	Percentage Change
General	\$ 425,018	\$ (1,191,481)	\$ 1,616,499	135.67 %
Debt service	3,744,230	3,569,342	174,888	(4.90) %
Classroom facilities	19,475,213	29,800,862	(10,325,649)	34.65 %
Other governmental	2,960,282	2,673,393	286,889	10.73 %
Total	<u>\$ 26,604,743</u>	<u>\$ 34,852,116</u>	<u>\$ (8,247,373)</u>	(23.66) %

General Fund

The District's general fund balance increased \$1,616,499.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 10,756,738	\$ 9,711,163	\$ 1,045,575	10.77 %
Tuition	377,109	287,037	90,072	31.38 %
Earnings on investments	6,461	21,552	(15,091)	(70.02) %
Intergovernmental	16,428,759	16,544,109	(115,350)	(0.70) %
Other revenues	<u>1,179,137</u>	<u>1,213,438</u>	<u>(34,301)</u>	(2.83) %
Total	<u>\$ 28,748,204</u>	<u>\$ 27,777,299</u>	<u>\$ 970,905</u>	3.50 %
<u>Expenditures</u>				
Instruction	\$ 16,013,163	\$ 17,462,994	\$ (1,449,831)	(8.30) %
Support services	10,655,517	12,107,115	(1,451,598)	(11.99) %
Operation of non-instructional services	19,833	11,643	8,190	70.34 %
Extracurricular activities	339,111	478,690	(139,579)	(29.16) %
Facilities acquisition and construction	3,700	-	3,700	100.00 %
Capital outlay	-	245,564	(245,564)	(100.00) %
Debt service	<u>111,807</u>	<u>300,669</u>	<u>(188,862)</u>	(62.81) %
Total	<u>\$ 27,143,131</u>	<u>\$ 30,606,675</u>	<u>\$ (3,463,544)</u>	(11.32) %

Revenues of the general fund increased \$970,905 or 3.50%. The largest increase was in the area of taxes which increased \$1,045,575 or 10.77%. This increase resulted from a new substitute levy that passed and collection began in fiscal year 2011. Tuition revenue increased \$90,072 due to an increase in open enrollment. Earnings on investments decreased due to decreased interest rates earned on investments.

Expenditures of the general fund decreased \$3,463,544 or 11.32%. The District instituted cost cutting measures after a previous failure of levy which resulted in the suspension of contracts for nearly 80 employees.

Debt Service Fund

The debt service fund had \$3,711,602 in revenues and \$3,536,714 in expenditures. The fund balance of the debt service fund increased \$174,888 during fiscal year 2011. This was due to property tax collections exceeding scheduled principal and interest payments on the District's general obligation debt during the year.

Classroom Facilities Fund

The classroom facilities fund had revenues of \$5,566,832 and expenditures of \$15,892,481. The classroom facilities fund's fund balance decreased \$10,325,649 due an increase in costs associated with the District's OSFC project.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$28,293,921, which was higher than the original budgeted revenues estimate of \$27,685,592. Actual revenues and other financing sources for fiscal year 2011 was \$28,588,509.

General fund final appropriations (appropriated expenditures plus other financing uses) of \$27,962,079 were lower than the original budgeted appropriations of \$29,695,730. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$27,879,890, which was \$82,189 greater than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$44,391,939 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table show June 30, 2011 balances compared to June 30, 2010:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 2,380,689	\$ 2,380,689
Construction in progress	19,812,974	3,673,414
Land improvements	847,109	895,632
Building and improvements	19,299,663	20,248,403
Equipment and furniture	1,020,505	1,078,577
Vehicles	<u>1,030,999</u>	<u>1,110,405</u>
Total	<u>\$ 44,391,939</u>	<u>\$ 29,387,120</u>

The overall increase in capital assets of \$15,004,819 is primarily due to capital outlays of \$16,513,359 exceeding depreciation expense of \$1,508,540 in fiscal year 2011. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2011, the District had \$39,365,992 in general obligation bonds outstanding. Of this total, \$1,465,000 is due within one year and \$37,900,992 is due within greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General obligation bonds:		
Refunding bonds	\$ 8,350,000	\$ 9,720,000
Capital appreciation bonds	4,048,555	4,048,555
Accreted interest on bonds	3,972,437	3,426,245
Serial bonds	1,405,000	1,410,000
Terms bonds	<u>21,590,000</u>	<u>21,590,000</u>
Total	<u>\$ 39,365,992</u>	<u>\$ 40,194,800</u>

See Note 11 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. In calendar year 2005, real property went through a triennial update with the county auditor that resulted in increases in property values of 12.82% and 2.53% respectively for residential/agricultural and commercial real property. With the overall rise in valuations in 2005 and the passage of a 6.9 mill emergency levy on August 2, 2005, tax revenues from real property increased by 15.94% in fiscal year 2006 and 15.67% in fiscal year 2007. Tax year 2006 also saw the District move 2.38 mills of inside millage to a permanent improvement fund. The District went through a reappraisal in calendar year 2008 and saw a modest increase of 1% in property values.

Data used in the 2008 reappraisal however did not reflect current market conditions. As a result of this, the county auditor unilaterally, arbitrarily made a decision to reduce all residential property in the county by 10%. As a result, the District lost approximately \$30,000,000 in assessed value. This resulted in a loss of approximately \$400,000 in real property taxes. A triennial update is scheduled for 2011. The District continues to see a modest growth due to new construction (primarily residential homes). During the last several years, new construction has averaged just over 4%. We anticipate this modest growth to continue. In addition, fiscal year 2009 also reflects a reclassification (\$1,836,942) from tangible personal property to General Property Tax (Real Estate). This reclassification related to public utility real taxes that were being coded to tangible personal taxes.

Although growth in new homes has been at a modest 4%, the District has seen a steady increase in our student population. We have seen changes in our ADM of 69, (6), 81, 71, (133) and 46, for fiscal years 2005, 2006, 2007, 2008, 2009 and 2010, respectively. We anticipate seeing an improvement in our economy and are projecting a modest growth of a 1.78% increase in our ADM for fiscal years 2011 through 2014. In July 2009, the State Legislature released their biennial budget, or House Bill 1. HB1 included a new funding model called Pathway to Student Success (PASS). Due to tremendous shortfalls in the state's revenue, HB1 placed the majority of the schools on the "Guarantee". This "Guarantee" reduced state funding 1% from what the District received in fiscal year 2009. In addition, fiscal year 2011 will see an additional 2% reduction in state funding from what we received in fiscal year 2009. It is anticipated that the District will see flat state funding in fiscal years 2012 through 2015.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Due to the large increase in student enrollment during the last 10 years, the District was faced with an overcrowding issue. To alleviate this problem, the District began having community forums to discuss future construction projects. These meetings were held with the assistance of the OSFC. The OSFC was established over 10 years ago with the expressed purpose of assisting districts in the construction of new buildings or the renovations of existing buildings. The OSFC was partnering with districts across the state by offering financial aid based on the wealth ranking of each district. The poorer the district, the more money the OSFC was able to offer. The difference between the total cost of the project and the amount the OSFC was able to provide needed to be raised locally through a bond issue. The monies the OSFC used in this assistance came from the tobacco settlement.

In 2007, the District was notified by the OSFC that our "turn" had come up and we were eligible for assistance. To receive the OSFC's assistance, the District needed to pass a bond issue for the local share. In February 2009, the District was successful in passing a 4.53 mill, 28 year bond issue. Construction for a new high school began in part of calendar year 2010 and will be completed in time for the 2012-2013 school year. Total cost of the project is \$46,000,000. The OSFC's share is 49% and the local share is 51%.

To fund the District's local share (\$26,000,000) of the project, the District issued \$23,000,000 in Build America Bonds on November 12, 2009 and a \$3,000,000 Bond Anticipation Note on December 1, 2009. This note was renewed on November 30, 2010.

On May 4, 2010, the District failed in its attempt to pass a 6.88 mil Substitute (replacing the Emergency Levy originally passed in 2005) levy. This levy generated approximately \$2,550,000. As a result of this failure, the District took action to suspend the contracts for school year 2010-2011 of approximately 80 employees. Of those 80, approximately 30 were contracts that were permanently suspended, regardless of the passage of the Substitute Levy. These Reductions in Force (RIF) included administrators as well as certificated and classified staff. The Board also approved all necessary resolutions to place the Substitute Levy on the November 2, 2010 ballot which successfully passed. The millage for the Substitute Levy is 6.16. Collections began in 2011.

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.

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 18,216,150
Investments.	14,246,735
Receivables:	
Property taxes	14,218,111
Accounts.	38,552
Accrued interest	47,623
Intergovernmental	3,745,032
Prepayments	674
Materials and supplies inventory.	24,194
Unamortized bond issuance costs	358,694
Capital assets:	
Land and construction in progress.	22,193,663
Depreciable capital assets, net.	22,198,276
Capital assets, net	44,391,939
 Total assets.	 95,287,704
 Liabilities:	
Accounts payable.	53,262
Contracts payable.	2,240,797
Retainage payable	117,711
Accrued wages and benefits	3,231,005
Pension obligation payable.	731,327
Intergovernmental payable	191,712
Unearned revenue	13,688,750
Accrued interest payable	196,077
Long-term liabilities:	
Due within one year.	4,817,349
Due in more than one year.	39,348,702
 Total liabilities	 64,616,692
 Net Assets:	
Invested in capital assets, net of related debt.	26,363,078
Restricted for:	
Capital projects	3,759,922
Debt service.	3,583,777
Locally funded programs	10,408
State funded programs.	10,369
Federally funded programs	283,491
Student activities	88,384
Unrestricted (deficit)	(3,428,417)
 Total net assets	 \$ 30,671,012

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, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>and Contributions</u>	<u>Changes in</u>
					<u>Net Assets</u>
Governmental activities:					Governmental
					Activities
Instruction:					
Regular	\$ 15,379,779	\$ 701,558	\$ 1,102,420	\$ -	\$ (13,575,801)
Special	4,032,334	-	2,560,316	-	(1,472,018)
Other	51,623	-	6,635	-	(44,988)
Support services:					
Pupil	2,575,331	221	409,519	-	(2,165,591)
Instructional staff	2,709,976	968	336,785	-	(2,372,223)
Board of education	174,231	-	140,114	-	(34,117)
Administration	2,049,544	11,120	55,948	-	(1,982,476)
Fiscal	666,536	-	-	-	(666,536)
Business	154,717	-	-	-	(154,717)
Operations and maintenance	2,696,833	42,548	307,792	27,200	(2,319,293)
Pupil transportation	1,346,177	5,271	241,409	-	(1,099,497)
Central	205,887	-	82,450	-	(123,437)
Operation of non-instructional services:					
Other non-instructional services	27,217	-	4,878	-	(22,339)
Food service operations	1,490,541	757,963	678,142	-	(54,436)
Extracurricular activities	518,141	195,110	5,966	-	(317,065)
Interest and fiscal charges	2,650,408	-	577,720	-	(2,072,688)
Total governmental activities	\$ 36,729,275	\$ 1,714,759	\$ 6,510,094	\$ 27,200	(28,477,222)

General Revenues:

Property taxes levied for:	
General purposes	10,681,347
Debt service	2,394,468
Permanent improvement	825,916
Payment in lieu of taxes	686,505
Grants and entitlements not restricted to specific programs	15,756,331
Investment earnings	80,386
Miscellaneous	62,594
Total general revenues	30,487,547
Change in net assets	2,010,325
Net assets at beginning of year	28,660,687
Net assets at end of year	\$ 30,671,012

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 3,580,459	\$ 3,744,230	\$ 7,449,853	\$ 3,441,608	\$ 18,216,150
Investments.	-	-	14,246,735	-	14,246,735
Receivables:					
Property taxes.	11,155,941	2,223,458	-	838,712	14,218,111
Accounts.	37,602	-	-	950	38,552
Accrued interest.	-	-	47,623	-	47,623
Interfund loans.	174,847	-	-	-	174,847
Intergovernmental.	38,764	-	3,317,256	389,012	3,745,032
Prepayments.	674	-	-	-	674
Materials and supplies inventory.	-	-	-	24,194	24,194
Total assets.	<u>\$ 14,988,287</u>	<u>\$ 5,967,688</u>	<u>\$ 25,061,467</u>	<u>\$ 4,694,476</u>	<u>\$ 50,711,918</u>
Liabilities:					
Accounts payable.	\$ 39,219	\$ -	\$ -	\$ 14,043	\$ 53,262
Contracts payable.	-	-	2,153,106	87,691	2,240,797
Retainage payable.	-	-	117,711	-	117,711
Accrued wages and benefits.	2,873,291	-	-	357,714	3,231,005
Compensated absences payable.	110,544	-	-	2,082	112,626
Pension obligation payable.	644,335	-	-	86,992	731,327
Intergovernmental payable.	181,175	-	-	10,537	191,712
Interfund loans payable.	-	-	-	174,847	174,847
Deferred revenue.	75,405	9,458	3,315,437	164,838	3,565,138
Unearned revenue.	10,639,300	2,214,000	-	835,450	13,688,750
Total liabilities.	<u>14,563,269</u>	<u>2,223,458</u>	<u>5,586,254</u>	<u>1,734,194</u>	<u>24,107,175</u>
Fund Balances:					
Nonspendable:					
Materials and supplies inventory.	-	-	-	24,194	24,194
Prepays.	674	-	-	-	674
Restricted:					
Debt service.	-	3,744,230	-	-	3,744,230
Capital improvements.	-	-	19,475,213	1,895,320	21,370,533
Targeted academic assistance.	-	-	-	49,482	49,482
Other purposes.	-	-	-	93,210	93,210
Extracurricular.	-	-	-	88,384	88,384
Committed:					
Capital improvements.	-	-	-	1,271,213	1,271,213
Assigned:					
Student instruction.	517	-	-	-	517
Student and staff support.	85,082	-	-	-	85,082
Uniform school supplies.	13,597	-	-	-	13,597
Other purposes.	3,830	-	-	-	3,830
Unassigned (deficit).	321,318	-	-	(461,521)	(140,203)
Total fund balances.	<u>425,018</u>	<u>3,744,230</u>	<u>19,475,213</u>	<u>2,960,282</u>	<u>26,604,743</u>
Total liabilities and fund balances.	<u>\$ 14,988,287</u>	<u>\$ 5,967,688</u>	<u>\$ 25,061,467</u>	<u>\$ 4,694,476</u>	<u>\$ 50,711,918</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	26,604,743
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			44,391,939
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	49,361	
Accrued interest receivable		47,623	
Intergovernmental receivable		3,468,154	
Total		3,468,154	3,565,138
Unamortized bond issuance costs are not recognized in the funds.			358,694
Unamortized premiums on bond issuances are not recognized in the funds.			(697,861)
Unamortized deferred charges on refundings are not recognized in the funds.			600,873
On the statement of net assets, interest is accrued on outstanding bonds whereas in governmental funds, interest is reported when due.			(196,077)
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 current interest bonds		(8,350,000)	
General obligation capital appreciation bonds		(8,020,992)	
General obligation serial bonds		(1,405,000)	
General obligation term bonds		(21,590,000)	
Bond anticipation notes		(2,990,000)	
Capital lease obligation		(163,577)	
Lease purchase agreements		(237,000)	
Compensated absences		(1,199,868)	
Total		(43,956,437)	(43,956,437)
Net assets of governmental activities		\$	30,671,012

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, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 10,756,738	\$ 2,411,872	\$ -	\$ 831,920	\$ 14,000,530
Payment in lieu of taxes	686,505	-	-	-	686,505
Tuition	377,109	-	-	-	377,109
Transportation fees	2,654	-	-	-	2,654
Earnings on investments	6,461	-	73,698	486	80,645
Charges for services	-	-	-	769,085	769,085
Extracurricular	85,415	-	-	193,896	279,311
Classroom materials and fees	271,618	-	-	-	271,618
Rental income	685	-	-	-	685
Contributions and donations	8,442	-	-	31,000	39,442
Contract services	14,297	-	-	-	14,297
Other local revenues	109,521	-	-	70,665	180,186
Intergovernmental - state	16,322,361	722,010	5,493,134	1,280,816	23,818,321
Intergovernmental - federal	106,398	577,720	-	3,110,081	3,794,199
Total revenues	28,748,204	3,711,602	5,566,832	6,287,949	44,314,587
Expenditures:					
Current:					
Instruction:					
Regular	13,148,664	-	-	1,009,936	14,158,600
Special	2,812,876	-	-	1,144,199	3,957,075
Other	51,623	-	-	-	51,623
Support services:					
Pupil	2,074,601	-	-	430,477	2,505,078
Instructional staff	2,263,892	-	-	596,308	2,860,200
Board of education	34,117	-	-	140,114	174,231
Administration	2,010,604	-	-	51,406	2,062,010
Fiscal	601,713	42,195	-	14,105	658,013
Business	153,784	-	-	-	153,784
Operations and maintenance	2,283,981	-	-	344,213	2,628,194
Pupil transportation	1,109,388	-	-	149,199	1,258,587
Central	123,437	-	-	82,450	205,887
Operation of non-instructional services:					
Other non-instructional services	19,833	-	-	6,444	26,277
Food service operations	-	-	-	1,496,398	1,496,398
Extracurricular activities	339,111	-	-	139,979	479,090
Facilities acquisition and construction	3,700	-	15,892,481	390,528	16,286,709
Debt service:					
Principal retirement	82,968	1,375,000	-	3,000,000	4,457,968
Interest and fiscal charges	28,839	2,119,519	-	-	2,148,358
Total expenditures	27,143,131	3,536,714	15,892,481	8,995,756	55,568,082
Excess (deficiency) of revenues over (under) expenditures	1,605,073	174,888	(10,325,649)	(2,707,807)	(11,253,495)
Other financing sources:					
Sale of capital assets	2,011	-	-	-	2,011
Sale of notes	-	-	-	2,990,000	2,990,000
Insurance recoveries	9,415	-	-	-	9,415
Total other financing sources	11,426	-	-	2,990,000	3,001,426
Net change in fund balances	1,616,499	174,888	(10,325,649)	282,193	(8,252,069)
Fund balances at beginning of year (restated).	(1,191,481)	3,569,342	29,800,862	2,673,393	34,852,116
Increase in reserve for inventory	-	-	-	4,696	4,696
Fund balances at end of year	\$ 425,018	\$ 3,744,230	\$ 19,475,213	\$ 2,960,282	\$ 26,604,743

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, 2011

Net change in fund balances - total governmental funds \$ (8,252,069)

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

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. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$ 16,513,359	
Current year depreciation	(1,508,540)	
Total		15,004,819

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.

4,696

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(98,799)	
Earnings on investments	(76)	
Intergovernmental	(5,437,348)	
Total		(5,536,223)

Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	1,375,000	
Bond anticipation notes	3,000,000	
Lease purchase agreements	34,000	
Capital leases	48,968	
Total		4,457,968

Issuances of bond anticipation notes are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.

(2,990,000)

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 additional interest being reported in the statement of activities:

Decrease in accrued interest payable	66,948	
Accreted interest on capital appreciation bonds	(546,192)	
Amortization of bond issuance costs	(17,052)	
Amortization of bond premiums	33,222	
Amortization of deferred charges	(38,976)	
Total		(502,050)

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.

(176,816)

Change in net assets of governmental activities \$ 2,010,325

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 10,145,850	\$ 10,498,764	\$ 10,476,738	\$ (22,026)
Payment in lieu of taxes	686,505	686,505	686,505	-
Tuition	365,199	377,902	377,109	(793)
Transportation fees	2,570	2,660	2,654	(6)
Earnings on investments	6,784	7,020	7,005	(15)
Extracurricular	33,480	34,645	34,572	(73)
Classroom materials and fees	144,657	149,689	149,375	(314)
Rental income	663	686	685	(1)
Contract services	21,890	22,652	22,604	(48)
Other local revenues	9,403	33,610	32,099	(1,511)
Intergovernmental - state	15,806,848	16,356,680	16,322,361	(34,319)
Intergovernmental - federal	103,038	106,622	106,398	(224)
Total revenues	27,326,887	28,277,435	28,218,105	(59,330)
Expenditures:				
Current:				
Instruction:				
Regular	13,979,173	13,163,063	13,124,372	38,691
Special	3,245,752	3,056,263	3,047,280	8,983
Other	54,985	51,775	51,623	152
Support services:				
Pupil	2,253,308	2,121,758	2,115,522	6,236
Instructional staff	2,543,466	2,394,977	2,387,938	7,039
Board of education	37,156	34,987	34,884	103
Administration	2,207,930	2,079,030	2,072,919	6,111
Fiscal	632,348	595,431	593,681	1,750
Business	164,149	154,566	154,112	454
Operations and maintenance	2,415,014	2,274,024	2,267,340	6,684
Pupil transportation	1,206,265	1,135,843	1,132,504	3,339
Central	131,527	123,848	123,484	364
Operation of non-instructional services:				
Other non-instructional services	18,628	17,541	17,489	52
Extracurricular activities	372,369	350,630	349,599	1,031
Debt service:				
Principal	36,214	34,100	34,000	100
Interest and fiscal charges	13,662	12,865	12,827	38
Total expenditures	29,311,946	27,600,701	27,519,574	81,127
Excess (deficiency) of revenues over (under) expenditures	(1,985,059)	676,734	698,531	21,797
Other financing sources (uses):				
Refund of prior year's expenditures	4,866	5,036	5,025	(11)
Advances in	342,774	354,697	353,953	(744)
Advances (out)	(383,784)	(361,378)	(360,316)	1,062
Insurance recoveries	-	-	9,415	9,415
Sale of capital assets	11,065	11,450	2,011	(9,439)
Total other financing sources (uses)	(25,079)	9,805	10,088	283
Net change in fund balance	(2,010,138)	686,539	708,619	22,080
Fund balance at beginning of year	2,675,371	2,675,371	2,675,371	-
Prior year encumbrances appropriated	92,687	92,687	92,687	-
Fund balance at end of year	\$ 757,920	\$ 3,454,597	\$ 3,476,677	\$ 22,080

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 24,759	\$ 48,886
Total assets.	24,759	\$ 48,886
Liabilities:		
Accounts payable.	-	\$ 3,654
Due to students.	-	45,232
Total liabilities	-	\$ 48,886
Net assets:		
Held in trust for scholarships	24,759	
Total net assets	\$ 24,759	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 15,637
Total additions.	15,637
Deductions:	
Scholarships awarded	18,473
Change in net assets.	(2,836)
Net assets at beginning of year	27,595
Net assets at end of year.	\$ 24,759

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, 2011

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 243 certified full-time teaching and administrative personnel and 175 classified personnel, who provide services to approximately 3,816 students and other community members.

The District ranks as the 121st 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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989 to its governmental activities provided it does not conflict with or contradict GASB pronouncements. 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”. The reporting entity is comprised 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 assets 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue in the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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.

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 and liabilities is reported as fund balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 capital projects fund is used to account for financial resources and expenditures related to the school facilities construction 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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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. The specific timetable for fiscal year 2011 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 2011.
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. All funds completed the year within the amount of their legally authorized cash basis appropriation.
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 2011.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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 cash equivalents" and "investments" on the basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

During fiscal year 2011, the District had investments in Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, U.S. government money market mutual funds and in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$6,461, which includes \$4,340 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.

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 assets, 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 fair market 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

<u>Description</u>	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 assets.

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.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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, lease-purchase agreements, capital lease obligations and notes payable are recognized as a liability on the fund financial statements when due.

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

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

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.

For advance refundings resulting in the defeasance of debt, 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 an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, 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 assets is presented in Note 11.A.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation 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 assets are 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2011, the balance in the budget stabilization reserve was \$123,223. This amount is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.

R. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance/(deficit) at June 30, 2010	\$ (1,279,192)	\$ 3,569,342	\$ 29,800,862	\$ 2,761,104	\$ 34,852,116
Fund reclassifications:					
Public school support fund	57,734	-	-	(57,734)	-
Special trust fund	4,029	-	-	(4,029)	-
Uniform school supplies	<u>25,948</u>	<u>-</u>	<u>-</u>	<u>(25,948)</u>	<u>-</u>
Total fund reclassifications	<u>87,711</u>	<u>-</u>	<u>-</u>	<u>(87,711)</u>	<u>-</u>
Restated fund balance (deficit) at July 1, 2010	<u>\$ (1,191,481)</u>	<u>\$ 3,569,342</u>	<u>\$ 29,800,862</u>	<u>\$ 2,673,393</u>	<u>\$ 34,852,116</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 311,340
IDEA Part B	125,987

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as an other financing source.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$580 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$5,934,128. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$5,977,317 of the District's bank balance of \$6,183,600 was covered by the FDIC, while \$206,283 was exposed to custodial risk as discussed below.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2011, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
FNMA	\$ 12,723,455	\$ -	\$ 12,723,455
FFCB	1,523,280	-	1,523,280
U.S. Government money market fund	9,270,523	9,270,523	-
STAR Ohio	3,084,564	3,084,564	-
Total	<u>\$ 26,601,822</u>	<u>\$ 12,355,087</u>	<u>\$ 14,246,735</u>

The weighted average maturity of investments is 0.43 years.

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: The District's federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. government money market mutual funds an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 12,723,455	47.83
FFCB	1,523,280	5.73
U.S. Government money market fund	9,270,523	34.84
STAR Ohio	<u>3,084,564</u>	<u>11.60</u>
Total	<u>\$ 26,601,822</u>	<u>100.00</u>

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

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 assets as of June 30, 2011:

<u>Cash and investments per note disclosure</u>		
Carrying amount of deposits	\$	5,934,128
Investments		26,601,822
Cash on hand		<u>580</u>
Total	\$	<u>32,536,530</u>
 <u>Cash and investments per statement of net assets</u>		
Governmental activities	\$	32,462,885
Private-purpose trust fund		24,759
Agency fund		<u>48,886</u>
Total	\$	<u>32,536,530</u>

NOTE 5 - INTERFUND TRANSACTIONS

At June 30, 2011, 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	<u>\$ 174,847</u>

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 assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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.

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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$480,000 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$200,000 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, 2011 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 unearned revenue.

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 revenue has been deferred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 325,330,540	87.58	\$ 327,024,100	74.86
Public utility personal	<u>46,123,980</u>	<u>12.42</u>	<u>109,828,910</u>	<u>25.14</u>
Total	<u>\$ 371,454,520</u>	<u>100.00</u>	<u>\$ 436,853,010</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$41.71		\$40.59	
Bond	6.90		6.90	
Permanent improvement	2.38		2.38	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), 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 assets follows:

Governmental activities:

Taxes	\$ 14,218,111
Accounts	38,552
Accrued interest	47,623
Intergovernmental	<u>3,745,032</u>
Total	<u>\$ 18,049,318</u>

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$3,317,256 of intergovernmental grants due from the Ohio School Facilities Commission (OSFC), are expected to be collected in the subsequent year. The OSFC grant amount will be collected over the life of the construction project.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,380,689	\$ -	\$ -	\$ 2,380,689
Construction in progress	3,673,414	16,139,560	-	19,812,974
<i>Total capital assets, not being depreciated</i>	<u>6,054,103</u>	<u>16,139,560</u>	<u>-</u>	<u>22,193,663</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,105,905	-	-	1,105,905
Buildings and improvements	34,420,244	62,610	-	34,482,854
Equipment and furniture	3,630,869	306,289	-	3,937,158
Vehicles	2,136,011	4,900	-	2,140,911
<i>Total capital assets, being depreciated</i>	<u>41,293,029</u>	<u>373,799</u>	<u>-</u>	<u>41,666,828</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(210,273)	(48,523)	-	(258,796)
Buildings and improvements	(14,171,841)	(1,011,350)	-	(15,183,191)
Equipment and furniture	(2,552,292)	(364,361)	-	(2,916,653)
Vehicles	(1,025,606)	(84,306)	-	(1,109,912)
<i>Total accumulated depreciation</i>	<u>(17,960,012)</u>	<u>(1,508,540)</u>	<u>-</u>	<u>(19,468,552)</u>
Total capital assets, net	<u>\$ 29,387,120</u>	<u>\$ 15,004,819</u>	<u>\$ -</u>	<u>\$ 44,391,939</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,208,680
Special	28,441
<u>Support services:</u>	
Pupil	1,706
Instructional staff	63,089
Administration	16,233
Fiscal	2,493
Operations and maintenance	17,692
Pupil transportation	86,972
Other non-instructional services	940
Extracurricular activities	71,993
Food service operations	<u>10,301</u>
Total depreciation expense	<u>\$ 1,508,540</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal years 2010 and 2009, the District entered into leases for copiers. These lease agreements meet the criteria of capital lease as defined by generally accepted accounting principles which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement.

Capital assets consisting of copiers have been capitalized in the amount of \$269,889. This amount represents the present values of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2011 was \$85,832, leaving a book value of \$184,057. Principal payments in fiscal year 2011 totaled \$48,969 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2012	\$ 64,980
2013	64,981
2014	<u>54,666</u>
Total minimum lease payments	184,627
Less: amount representing interest	<u>(21,050)</u>
Total	<u><u>\$ 163,577</u></u>

NOTE 10 - 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 2011 totaled \$34,000 paid by the general fund.

A liability in the amount of the present value of minimum lease payments has been recorded in the governmental activities of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LEASE-PURCHASE AGREEMENTS - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreements and the present value of the minimum lease payments as of June 30, 2011.

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2012	\$ 46,970
2013	47,208
2014	47,345
2015	46,381
2016	46,366
2017	<u>46,251</u>
Total minimum lease payments	280,521
Less: amount representing interest	<u>(43,521)</u>
Total	<u>\$ 237,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	Balance 6/30/10	Increases	Decreases	Balance 6/30/11	Amount Due Within One Year
<u>Governmental activities:</u>					
<u>G.O. Bonds - Series 1999</u>					
Current interest refunding bonds	\$ 1,530,000	\$ -	\$ (750,000)	\$ 780,000	\$ 780,000
Capital appreciation bonds	1,848,576	-	-	1,848,576	-
Accreted interest on bonds	2,803,769	406,820	-	3,210,589	-
<u>G.O. Refunding Bonds - Series 2005</u>					
Current interest bonds	8,190,000	-	(620,000)	7,570,000	680,000
Capital appreciation bonds	2,199,979	-	-	2,199,979	-
Accreted interest on bonds	622,476	139,372	-	761,848	-
<u>G.O. Bonds - Series 2009</u>					
Serial bonds	1,410,000	-	(5,000)	1,405,000	5,000
Term bonds	21,590,000	-	-	21,590,000	-
Bond anticipation notes payable	3,000,000	2,990,000	(3,000,000)	2,990,000	2,990,000
Lease purchase agreements	271,000	-	(34,000)	237,000	35,000
Capital lease obligations	212,545	-	(48,968)	163,577	53,242
Compensated absences	1,242,139	728,866	(658,511)	1,312,494	274,107
Total	\$ 44,920,484	\$ 4,265,058	\$ (5,116,479)	44,069,063	\$ 4,817,349
Unamortized premium on refunding bonds				697,861	
Unamortized deferred charges on refunding bonds				(600,873)	
Total long-term liabilities on statement of net assets				\$ 44,166,051	

General Obligation Bonds - Series 1999: On May 27, 1999, the District issued general obligation improvement and refunding bonds, which included both current interest and capital appreciation bonds, in order to make major improvements and additions to three of the District's facilities. During fiscal year 2005, the current interest improvement bonds were advance refunded and are considered defeased in-substance. The current interest refunding bonds and the capital appreciation improvement bonds will be retired from the debt service fund with revenue generated from a 6.25 mil bonded debt levy.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

At June 30, 2010, the non-refunded portion of the advance refunding issue is comprised of both current interest bonds, par value \$10,680,000, and capital appreciation bonds, par value \$1,848,576. The interest rate on the current interest bonds range from 3.30% - 4.70%. The capital appreciation bonds mature on December 1 of 2012, 2013, 2014 and 2015 (approximate initial offering yield at maturity ranging from 5.10%-5.25%) at a redemption price equal to 100% of the principal, plus accreted interest to the redemption date. The present value (as of the issue date) reported on the statement of net assets at June 30, 2011 is \$5,059,165. Total accreted interest of \$3,210,589 has been included on the statement of net assets.

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 assets. The balance of the refunded bonds at June 30, 2011 was \$11,065,000.

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%. 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 (as of the issue date) reported on the statement of net assets at June 30, 2011 is \$2,961,827. Total accreted interest of \$761,848 has been included on the statement of net assets.

School Improvement General Obligation Bonds - Series 2009 - On November 12, 2009, the District issued School Improvement General Obligation Unlimited Tax Bonds, Series 2009, (Federally Taxable - Issuer Subsidy- Build America Bonds) in the amount of \$23,000,000, for constructing, adding to, renovating, remodeling, furnishing, equipping, and improving District buildings. The bond issue included serial and term bonds, in the amount of \$1,410,000 and \$21,590,000, respectively. The interest rates on the serial and term bonds range from 5.40% to 7.50%. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2038. The bonds will be retired through the debt service fund (a nonmajor governmental fund).

These bonds were issued with a premium of \$465,618, which is reported as an increase to the bonds payable. This amount is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$16,629. The issuance costs of \$243,898 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$8,711.

As of fiscal year end, \$20,852,259 of the bond proceeds was unspent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, 2010, and each December 1 thereafter (with the balance of \$265,000 to be paid at stated maturity on December 1, 2019), 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>
2012	\$ 15,000
2013	5,000
2014	35,000
2015	110,000
2016	5,000
2017	5,000
2018	50,000

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, 2020, and each December 1 thereafter (with the balance of \$460,000 to be paid at stated maturity on December 1, 2020), 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>
2020	\$ 265,000
2021	365,000
2022	390,000
2023	365,000

The term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, 2026, and each December 1 thereafter (with the balance of \$1,240,000 to be paid at stated maturity on December 1, 2029), 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>
2025	\$ 855,000
2026	845,000
2027	1,085,000
2028	1,160,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The term bonds maturing on December 1, 2037, are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, 2031, and each December 1 thereafter (with the balance of \$2,135,000 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>
2031	\$ 1,470,000
2032	1,570,000
2033	1,970,000
2034	2,220,000
2035	2,355,000
2036	2,340,000

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation may be credited against the applicable mandatory redemption requirement.

The serial bonds are subject to optional redemption, by and at the sole option of the District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2019, at a redemption price of 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

On December 1, 2009, the District issued \$3,000,000 in School Improvement Unlimited Tax General Obligation Bond Anticipation Notes to finance various District building projects. The notes matured on November 30, 2010, with an interest rate of 1.75%.

On November 30, 2010, the District issued \$2,990,000 in School Improvement Unlimited Tax General Obligation Bond Anticipation Notes to partially retire the notes issued during fiscal year 2010. The notes will mature on November 29, 2011 with an interest rate of 1.50%.

These notes are considered long-term in accordance with GASB Statement No. 34 and are for capital acquisition and construction. The notes outstanding at June 30, 2011, will be retired with proceeds of bonds issued in November 2011 (see Note 20 for detail.)

Lease Purchase Agreements: See Note 10 for details.

Capital Lease Obligations: See Note 9 for details.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>General Obligation Bonds - Series 1999</u>					
	<u>Current Interest Refunding Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 780,000	\$ 677,433	\$ 1,457,433	\$ -	\$ -	\$ -
2013	-	-	-	538,070	1,086,930	1,625,000
2014	-	-	-	478,838	1,146,162	1,625,000
2015	-	-	-	440,180	1,184,820	1,625,000
2016	-	-	-	391,488	1,218,512	1,610,000
Total	<u>\$ 780,000</u>	<u>\$ 677,433</u>	<u>\$ 1,457,433</u>	<u>\$ 1,848,576</u>	<u>\$ 4,636,424</u>	<u>\$ 6,485,000</u>

Fiscal Year Ending <u>June 30,</u>	<u>General Obligation Refunding Bonds - Series 2005</u>					
	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 680,000	\$ 351,778	\$ 1,031,778	\$ -	\$ -	\$ -
2013	-	326,278	326,278	-	-	-
2014	50,000	326,278	376,278	-	-	-
2015	50,000	324,403	374,403	-	-	-
2016	275,000	322,403	597,403	-	-	-
2017 - 2021	3,160,000	1,320,865	4,480,865	2,199,979	1,755,021	3,955,000
2022 - 2026	<u>3,355,000</u>	<u>479,305</u>	<u>3,834,305</u>	-	-	-
Total	<u>\$ 7,570,000</u>	<u>\$ 3,451,310</u>	<u>\$ 11,021,310</u>	<u>\$ 2,199,979</u>	<u>\$ 1,755,021</u>	<u>\$ 3,955,000</u>

Fiscal Year Ending <u>June 30,</u>	<u>General Obligation Bonds - Series 2009</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,000	\$ 1,650,493	\$ 1,655,493
2013	15,000	1,650,223	1,665,223
2014	5,000	1,649,413	1,654,413
2015	35,000	1,649,143	1,684,143
2016	110,000	1,647,253	1,757,253
2017 - 2021	590,000	8,184,965	8,774,965
2022 - 2026	2,435,000	7,790,820	10,225,820
2027 - 2031	5,740,000	6,535,907	12,275,907
2032 - 2036	9,585,000	4,016,250	13,601,250
2037 - 2038	<u>4,475,000</u>	<u>495,750</u>	<u>4,970,750</u>
Total	<u>\$ 22,995,000</u>	<u>\$ 35,270,217</u>	<u>\$ 58,265,217</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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, 2011 are a legal voted debt margin of \$4,677,446 (including available funds of \$3,744,230), and a legal unvoted debt margin of \$436,853.

NOTE 12 - 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 2011, the District purchased commercial coverage for property and general liability insurance, including boilers and machinery valued at \$71,000,000 with a \$1,000,000 single occurrence limit and a \$1,000 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 \$2,000,000 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 2010.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2011, the District paid the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$520,722, \$606,416 and \$427,193, respectively; 55.09 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,042,071, \$2,117,459 and \$2,066,198, respectively; 85.24 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$59,536 made by the District and \$42,526 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B 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. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$134,983, \$92,609 and \$262,033, respectively; 55.09 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$33,510, \$36,062 and \$35,247, respectively; 55.09 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$157,082, \$162,881 and \$158,938, respectively; 85.24 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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	\$ 708,619
Net adjustment for revenue accruals	301,530
Net adjustment for expenditure accruals	589,463
Net adjustment for other sources/uses	1,129
Funds budgeted elsewhere	5,259
Adjustment for encumbrances	<u>10,499</u>
GAAP basis	<u>\$ 1,616,499</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.

NOTE 16 - 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 lawsuits outstanding, but management does not believe that potential losses, if any, will be material to the financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	509,889	509,889
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(283,718)	-
Excess qualified expenditures from prior years	(916,507)	-
Current year offsets	-	(509,889)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (690,336)</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had current year qualifying disbursements and offsets that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year.

The District had offsets that reduced the capital improvements set-aside amount to zero. During fiscal years 1999, 2005 and 2009, the District issued \$12,528,576, \$15,040,000 and \$23,000,000, respectively, in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$50,568,576 at June 30, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding at June 30, 2011, related to their OSFC construction project.

<u>Contractor</u>	<u>Original Contract</u>	<u>Amount Paid</u>	<u>Remaining Contract</u>
Artic Heating and A/C	\$ 3,269,000	\$ 2,285,873	\$ 983,127
Evans Landscaping, Inc.	246,560	-	246,560
Farnham Equipment Co.	819,000	-	819,000
Jackson and Sons Drilling	1,240,000	1,194,683	45,317
Ken Neyer Plumbing, Inc.	1,110,000	626,900	483,100
Miter Masonry Contractors, Inc.	3,914,000	3,436,701	477,299
MW Metals, Inc.	1,424,600	752,904	671,696
Reddy Electric Co.	3,295,800	1,358,540	1,937,260
Stafford-Smith, Inc.	332,075	105,894	226,181
Tricon, Inc.	11,770,000	5,663,542	6,106,458
SHP Leading Design	1,723,233	2,105,655	(382,422)
Quandel Group, Inc.	2,179,937	1,203,097	976,840
	<u>\$ 31,324,205</u>	<u>\$ 18,733,789</u>	<u>\$ 12,590,416</u>

NOTE 19 - 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	\$ 23,626
Classroom facilities	14,073,624
Other governmental	490,257
Total	<u>\$ 14,587,507</u>

NOTE 20 - SUBSEQUENT EVENT

In November 2011, the District issued \$2,980,000 in School Improvement Unlimited Tax General Obligation Bonds to repay the \$2,990,000 in bond anticipation notes maturing on November 29, 2011 (the \$10,000 difference was paid from District funds). The bonds carry interest rates ranging from 2.000%-4.375% and have a final maturity of December 1, 2037.

EDGEWOOD CITY SCHOOL DISTRICT
Butler County

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture				
<i>Passed through the Ohio Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance (Food Donation) National School Lunch Program	N/A	10.555	\$ 60,868	\$ 60,868
School Breakfast Program	05-PU	10.553	116,934	116,934
National School Lunch Program	LLP4	10.555	459,677	459,677
Child Nutrition Cluster Total			<u>576,611</u>	<u>576,611</u>
Child and Adult Care Food Program	CCMO	10.558	3,353	3,353
Total United States Department of Agriculture			<u>640,832</u>	<u>640,832</u>
United States Department of Education				
<i>Passed through Ohio Department of Education</i>				
<i>Title I Part A Cluster:</i>				
Title I Grants to Local Educational Agencies	C1S1	84.010	340,542	377,408
ARRA - Title I Grants to Local Educational Agencies	N/A	84.389	74,177	77,406
Title I Part A Cluster Total			<u>414,719</u>	<u>454,814</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States	6BSF	84.027	699,136	699,136
ARRA - Special Educaiton - Grants to States	N/A	84.391	422,007	431,983
Special Education - Preschool Grants	PGS1	84.173	4,605	4,605
ARRA - Special Education - Preschool Grants	N/A	84.392	10,651	14,918
Special Education Cluster Total			<u>1,136,399</u>	<u>1,150,642</u>
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	-	889
Education Technology State Grants	TJS1	84.318	1,215	1,215
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants - Recovery Act	N/A	84.394	1,145,279	1,145,279
Educations Job Fund	N/A	84.410	511,299	475,943
Improving Teacher Quality State Grants	TRS1	84.367	150,948	160,859
Total United States Department of Education			<u>3,359,859</u>	<u>3,389,641</u>
U.S. Department of Health and Human Services				
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>				
Community Alternative Funding System (CAFS)	N/A	93.778	88,942	88,942
Total U.S. Department of Health and Human Services			<u>88,942</u>	<u>88,942</u>
Total Federal Awards			<u>\$ 4,089,633</u>	<u>\$ 4,119,415</u>

NA - Pass Through Entity Number is Not Available
N - Direct from the Federal Government
See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A - BASIS OF ACCOUNTING

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

NOTE B – FOOD DISTRIBUTION

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – MATCHING REQUIREMENTS

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



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Kentucky Society of Certified Public Accountants

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
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgewood City School District, Butler County as of and for the year ended June 30, 2011, which collectively comprise Edgewood City School District's basic financial statements and have issued our report thereon dated January 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of Edgewood City School District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

Board of Education
Edgewood City School District

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards* (Continued)

We did note a certain matter not requiring inclusion in this report that we reported to Edgewood City School District's management in a separate letter dated January 31, 2012.

We intend this report solely for the information and use of management, Board of Education, federal awarding agencies, Auditor of State and pass-through entities, and others within the Edgewood City School District. We intend it for no one other than these specified parties.

Caudill & Associates, CPA

Caudill & Associates, CPA
January 31, 2012



Caudill & Associates, CPA

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Edgewood City School District
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

Compliance

We have audited the compliance of Edgewood City School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Edgewood City School District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Government's compliance based on our audit.

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

In our opinion, Edgewood City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

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

Board of Education
Edgewood City School District

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Internal Control Over Compliance (Continued)

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 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.

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

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

Caudill & Associates, CPA

Caudill & Associates, CPA
January 31, 2012

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other Significant Control Deficiency(ies) reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiency(ies) in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<p><i>Special Education Cluster:</i> Special Education Grant to States CFDA #84.027, ARRA – Special Education Grants to States CFDA #84.391, Special Education – Preschool Grants, CFDA #84.173, ARRA – Special Education – Preschool Grants, CFDA #84.392</p> <p>ARRA - State Fiscal Stabilization Fund (SFSF), CFDA #84.394</p> <p>Education Jobs Fund, CFDA #84.410</p>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED JUNE 30, 2011**

No prior year findings noted.



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

Caudill & Associates, CPA

Caudill & Associates, CPA
January 31, 2012



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
APRIL 19, 2012**