

EDGEWOOD CITY SCHOOL DISTRICT

Butler County, Ohio

Single Audit

July 1, 2011 through June 30, 2012

Fiscal Year Audited Under GAGAS: 2012



Caudill & Associates, CPA

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Dave Yost • Auditor of State

Board of Education
Edgewood City School District
3440 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, 2011 through June 30, 2012. 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

March 28, 2013

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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
3440 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, 2012, 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, 2012, 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, 2013, 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 that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Board of Education
Edgewood City School District

Independent Auditor's Report (Continued)

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The management's discussion and analysis of the Edgewood City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities increased \$904,364 which represents a 2.95% increase from 2011.
- General revenues accounted for \$30,631,810 in revenue or 83.38% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$6,103,741 or 16.62% of total revenues of \$36,735,551.
- The District had \$35,844,813 in expenses related to governmental activities; only \$6,103,741 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 \$29,741,072 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 \$28,438,184 in revenues and other financing sources and \$28,403,910 in expenditures. During fiscal year 2012, the general fund's fund balance increased \$34,274 from a fund balance of \$425,018 to a fund balance of \$459,292.
- Another District major governmental fund, the debt service fund, had \$3,893,763 in revenues and other financing sources and \$3,681,641 in expenditures. During fiscal year 2012, the debt service fund's fund balance increased \$212,122 from \$3,744,230 to \$3,956,352.
- The District's other major governmental fund, the classroom facilities fund, had \$783,579 in revenues and \$13,645,361 in expenditures. During fiscal year 2012, the classroom facilities fund's fund balance decreased \$12,861,782 from \$19,475,213 to \$6,613,431.

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, 2012
(UNAUDITED)

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 2012?" 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, 2012
(UNAUDITED)

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, 2012 and June 30, 2011.

| | Net Assets | |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2012 | Governmental Activities 2011 |
| <u>Assets</u> | | |
| Current and other assets | \$ 36,173,930 | \$ 50,895,765 |
| Capital assets | <u>58,644,440</u> | <u>44,391,939</u> |
| Total assets | <u>94,818,370</u> | <u>95,287,704</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 20,041,944 | 20,450,641 |
| Long-term liabilities | <u>43,201,050</u> | <u>44,166,051</u> |
| Total liabilities | <u>63,242,994</u> | <u>64,616,692</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 31,568,007 | 26,363,078 |
| Restricted | 4,769,773 | 7,736,351 |
| Unrestricted (deficit) | <u>(4,762,404)</u> | <u>(3,428,417)</u> |
| Total net assets | <u>\$ 31,575,376</u> | <u>\$ 30,671,012</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$31,575,376.

Assets of the District decreased \$469,334 or 0.49%. Current and other assets decreased \$14,721,835 or 28.93%. 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. 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 decreased \$1,373,698 or 2.13%. This decrease is the result of a decrease in contracts payable as the District finishes up construction of a new school building.

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

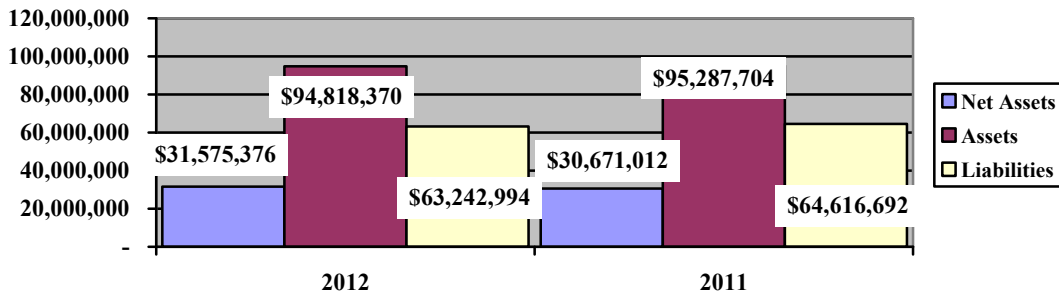
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

At year-end, capital assets represented 61.85% 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, 2012, were \$31,568,007. 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, \$4,769,773, 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 \$4,762,404. This decreased from June 30, 2012 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, 2012 and 2011.

Governmental Activities



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The table below shows the change in net assets for the fiscal years ending June 30, 2012 and 2011.

| | Change in Net Assets | |
|------------------------------------|---|---|
| | Governmental Activities <u>2012</u> | Governmental Activities <u>2011</u> |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,937,949 | \$ 1,714,759 |
| Operating grants and contributions | 4,130,792 | 6,510,094 |
| Capital grants and contributions | 35,000 | 27,200 |
| General revenues: | | |
| Property taxes | 14,516,604 | 13,901,731 |
| Payments in-lieu of taxes | 109,460 | 686,505 |
| Grants and entitlements | 15,866,548 | 15,756,331 |
| Investment earnings | 36,399 | 80,386 |
| Other | <u>102,799</u> | <u>62,594</u> |
| Total revenues | <u>\$ 36,735,551</u> | <u>\$ 38,739,600</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Change in Net Assets (Continued)

| | <u>Governmental Activities 2012</u> | <u>Governmental Activities 2011</u> |
|---|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 14,883,397 | \$ 15,379,779 |
| Special | 4,083,842 | 4,032,334 |
| Other | 53,587 | 51,623 |
| Support services: | | |
| Pupil | 2,274,157 | 2,575,331 |
| Instructional staff | 3,124,104 | 2,709,976 |
| Board of education | 142,585 | 174,231 |
| Administration | 1,451,551 | 2,049,544 |
| Fiscal | 748,942 | 666,536 |
| Business | 21,166 | 154,717 |
| Operations and maintenance | 2,555,398 | 2,696,833 |
| Pupil transportation | 1,400,912 | 1,346,177 |
| Central | 236,946 | 205,887 |
| Operations of non-instructional services: | | |
| Other non-instructional services | 23,732 | 27,217 |
| Food service operations | 1,415,746 | 1,490,541 |
| Extracurricular activities | 655,484 | 518,141 |
| Interest and fiscal charges | <u>2,773,264</u> | <u>2,650,408</u> |
| Total expenses | <u>35,844,813</u> | <u>36,729,275</u> |
| Change in net assets | 904,364 | 2,010,325 |
| Net assets at beginning of year | <u>30,671,012</u> | <u>28,660,687</u> |
| Net assets at end of year | <u>\$ 31,575,376</u> | <u>\$ 30,671,012</u> |

Governmental Activities

Net assets of the District's governmental activities increased \$904,364. Total governmental expenses of \$35,844,813 were offset by program revenues of \$6,103,741 and general revenues of \$30,631,810. Program revenues supported 17.03% of the total governmental expenses.

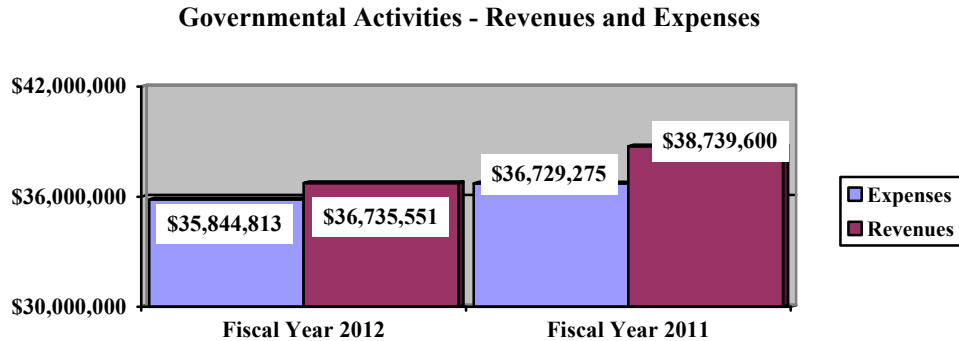
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 82.71% of total governmental revenue. Real estate property is reappraised every six years.

Operating grants and contributions decreased \$2,379,302 or 36.55%. This is the result of a decrease in Education Jobs, IDEA Part B, and Education Stabilization grants received by the District. Property taxes increased due to an increase in general real estate taxes collected. Payments in-lieu of taxes decreased due to the District no longer receiving payment in-lieu of taxes money from Duke Energy. Expenses decreased \$884,462 or 2.41% 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, 2012
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2012 and 2011.



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

| | Governmental Activities | | | |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Total Cost of Services 2012 | Net Cost of Services 2012 | Total Cost of Services 2011 | Net Cost of Services 2011 |
| <u>Program expenses</u> | | | | |
| Instruction: | | | | |
| Regular | \$ 14,883,397 | \$ 14,010,167 | \$ 15,379,779 | \$ 13,575,801 |
| Special | 4,083,842 | 1,732,223 | 4,032,334 | 1,472,018 |
| Other | 53,587 | 46,952 | 51,623 | 44,988 |
| Support services: | | | | |
| Pupil | 2,274,157 | 2,082,943 | 2,575,331 | 2,165,591 |
| Instructional staff | 3,124,104 | 2,965,190 | 2,709,976 | 2,372,223 |
| Board of education | 142,585 | 142,585 | 174,231 | 34,117 |
| Administration | 1,451,551 | 1,440,987 | 2,049,544 | 1,982,476 |
| Fiscal | 748,942 | 748,942 | 666,536 | 666,536 |
| Business | 21,166 | 21,166 | 154,717 | 154,717 |
| Operations and maintenance | 2,555,398 | 2,503,951 | 2,696,833 | 2,319,293 |
| Pupil transportation | 1,400,912 | 1,343,794 | 1,346,177 | 1,099,497 |
| Central | 236,946 | 236,946 | 205,887 | 123,437 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 23,732 | 18,751 | 27,217 | 22,339 |
| Food service operations | 1,415,746 | (155,777) | 1,490,541 | 54,436 |
| Extracurricular activities | 655,484 | 406,613 | 518,141 | 317,065 |
| Interest and fiscal charges | 2,773,264 | 2,195,639 | 2,650,408 | 2,072,688 |
| Total | \$ 35,844,813 | \$ 29,741,072 | \$ 36,729,275 | \$ 28,477,222 |

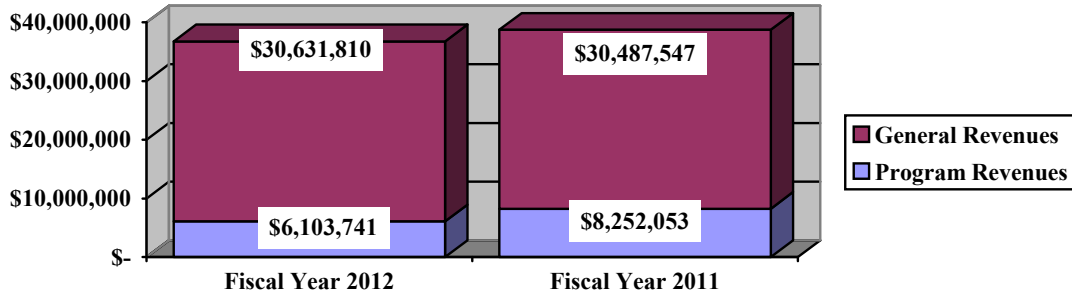
The dependence upon tax and other general revenues for governmental activities is apparent, as 83.01% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.97%. Taxes and intergovernmental state revenues are by far the primary sources of support for the District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$12,913,256, which is lower than last year's total of \$26,604,743. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

| | Fund Balance <u>June 30, 2012</u> | Fund Balance <u>June 30, 2011</u> | Increase <u>(Decrease)</u> | Percentage <u>Change</u> |
|----------------------|--------------------------------------|--------------------------------------|-------------------------------|-----------------------------|
| General | \$ 459,292 | \$ 425,018 | \$ 34,274 | (8.06) % |
| Debt service | 3,956,352 | 3,744,230 | 212,122 | (5.67) % |
| Classroom facilities | 6,613,431 | 19,475,213 | (12,861,782) | 66.04 % |
| Other governmental | <u>1,884,181</u> | <u>2,960,282</u> | <u>(1,076,101)</u> | (36.35) % |
| Total | <u>\$ 12,913,256</u> | <u>\$ 26,604,743</u> | <u>\$ (13,691,487)</u> | (51.46) % |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

General Fund

The District's general fund balance increased \$34,274. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | <u>2012</u> <u>Amount</u> | <u>2011</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 11,028,377 | \$ 10,756,738 | \$ 271,639 | 2.53 % |
| Tuition | 517,400 | 377,109 | 140,291 | 37.20 % |
| Earnings on investments | 1,495 | 6,461 | (4,966) | (76.86) % |
| Intergovernmental | 16,255,443 | 16,428,759 | (173,316) | (1.05) % |
| Other revenues | <u>621,843</u> | <u>1,179,137</u> | <u>(557,294)</u> | <u>(47.26) %</u> |
| Total | <u>\$ 28,424,558</u> | <u>\$ 28,748,204</u> | <u>\$ (323,646)</u> | <u>(1.13) %</u> |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 16,843,012 | \$ 16,013,163 | \$ 829,849 | 5.18 % |
| Support services | 11,069,209 | 10,655,517 | 413,692 | 3.88 % |
| Operation of non-instructional services | 14,737 | 19,833 | (5,096) | (25.69) % |
| Extracurricular activities | 365,346 | 339,111 | 26,235 | 7.74 % |
| Facilities acquisition and construction | - | 3,700 | (3,700) | 100.00 % |
| Debt service | <u>111,606</u> | <u>111,807</u> | <u>(201)</u> | <u>(0.18) %</u> |
| Total | <u>\$ 28,403,910</u> | <u>\$ 27,143,131</u> | <u>\$ 1,260,779</u> | <u>4.64 %</u> |

Revenues of the general fund decreased \$323,646 or 1.13%. The largest decrease was in the area of other revenues which decreased \$557,294 or 47.26%. This decrease resulted primarily from a decrease in payments in lieu of taxes. Tuition revenue increased \$140,291 due to an increase in open enrollment. Earnings on investments decreased due to decreased interest rates earned on investments.

Expenditures of the general fund increased \$1,260,779 or 4.64%. This is due to the increase in costs of providing instructional and support services.

Debt Service Fund

The debt service fund had \$3,836,894 in revenues and \$3,681,641 in expenditures. The fund balance of the debt service fund increased \$212,122 during fiscal year 2012. 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 \$783,579 and expenditures of \$13,645,361. The classroom facilities fund's fund balance decreased \$12,861,782 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, 2012
(UNAUDITED)

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$28,757,849, which was higher than the original budgeted revenues estimate of \$28,419,735. Actual revenues and other financing sources for fiscal year 2012 was \$28,698,591.

General fund final appropriations (appropriated expenditures plus other financing uses) of \$28,454,057 were higher than the original budgeted appropriations of \$28,010,499. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$28,553,477, which was \$99,420 greater than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$58,644,440 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, 2012 balances compared to June 30, 2011:

**Capital Assets at June 30
(Net of Depreciation)**

| | Governmental Activities | |
|---------------------------|-------------------------|---------------|
| | 2012 | 2011 |
| Land | \$ 2,380,689 | \$ 2,380,689 |
| Construction in progress | 34,507,133 | 19,812,974 |
| Land improvements | 999,504 | 847,109 |
| Building and improvements | 18,806,194 | 19,299,663 |
| Equipment and furniture | 846,802 | 1,020,505 |
| Vehicles | 1,104,118 | 1,030,999 |
| Total | \$ 58,644,440 | \$ 44,391,939 |

The overall increase in capital assets of \$14,252,501 is primarily due to capital outlays of \$15,732,024 exceeding depreciation expense of \$1,479,523 in fiscal year 2012. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$41,469,650 in general obligation bonds outstanding. Of this total, \$1,649,857 is due within one year and \$39,819,793 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, 2012
(UNAUDITED)

The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

| | Governmental Activities <u>2012</u> | Governmental Activities <u>2011</u> |
|----------------------------|---|---|
| General obligation bonds: | | |
| Refunding bonds | \$ 9,870,000 | \$ 8,350,000 |
| Capital appreciation bonds | 4,048,555 | 4,048,555 |
| Accreted interest on bonds | 4,561,095 | 3,972,437 |
| Serial bonds | 1,400,000 | 1,405,000 |
| Terms bonds | <u>21,590,000</u> | <u>21,590,000</u> |
| Total | <u>\$ 41,469,650</u> | <u>\$ 39,365,992</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, 2012
(UNAUDITED)

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, 2012

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments. | \$ 16,422,323 |
| Receivables: | |
| Property taxes | 16,242,132 |
| Accrued interest | 82 |
| Intergovernmental | 3,095,132 |
| Prepayments | 682 |
| Materials and supplies inventory. | 16,344 |
| Unamortized bond issuance costs | 397,235 |
| Capital assets: | |
| Land and construction in progress. | 36,887,822 |
| Depreciable capital assets, net. | 21,756,618 |
| Capital assets, net | 58,644,440 |
| Total assets. | 94,818,370 |
| Liabilities: | |
| Accounts payable. | 20,544 |
| Retainage payable | 18,396 |
| Accrued wages and benefits | 3,030,488 |
| Pension obligation payable. | 681,336 |
| Intergovernmental payable | 162,188 |
| Unearned revenue | 15,901,248 |
| Accrued interest payable | 227,744 |
| Long-term liabilities: | |
| Due within one year. | 2,002,355 |
| Due in more than one year. | 41,198,695 |
| Total liabilities | 63,242,994 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 31,568,007 |
| Restricted for: | |
| Capital projects | 110,953 |
| Classroom facilities maintenance | 786,812 |
| Debt service. | 3,751,492 |
| Locally funded programs | 3,214 |
| State funded programs. | 8,973 |
| Federally funded programs | 37,584 |
| Student activities | 70,745 |
| Unrestricted (deficit) | (4,762,404) |
| Total net assets | \$ 31,575,376 |

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, 2012

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u> |
|--|----------------------|---|---|---|--|
| | | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 14,883,397 | \$ 855,555 | \$ 17,675 | \$ - | \$ (14,010,167) |
| Special | 4,083,842 | - | 2,351,619 | - | (1,732,223) |
| Other | 53,587 | - | 6,635 | - | (46,952) |
| Support services: | | | | | |
| Pupil | 2,274,157 | - | 191,214 | - | (2,082,943) |
| Instructional staff | 3,124,104 | 8,582 | 150,332 | - | (2,965,190) |
| Board of education | 142,585 | - | - | - | (142,585) |
| Administration | 1,451,551 | 9,535 | 1,029 | - | (1,440,987) |
| Fiscal | 748,942 | - | - | - | (748,942) |
| Business | 21,166 | - | - | - | (21,166) |
| Operations and maintenance | 2,555,398 | 11,617 | 4,830 | 35,000 | (2,503,951) |
| Pupil transportation | 1,400,912 | 3,789 | 53,329 | - | (1,343,794) |
| Central | 236,946 | - | - | - | (236,946) |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 23,732 | - | 4,981 | - | (18,751) |
| Food service operations | 1,415,746 | 817,038 | 754,485 | - | 155,777 |
| Extracurricular activities | 655,484 | 231,833 | 17,038 | - | (406,613) |
| Interest and fiscal charges | 2,773,264 | - | 577,625 | - | (2,195,639) |
| Total governmental activities | \$ 35,844,813 | \$ 1,937,949 | \$ 4,130,792 | \$ 35,000 | (29,741,072) |

General Revenues:

| | |
|--|----------------------|
| Property taxes levied for: | |
| General purposes | 11,086,842 |
| Debt service | 2,550,148 |
| Permanent improvement | 689,802 |
| Facilities maintenance | 189,812 |
| Payment in lieu of taxes | 109,460 |
| Grants and entitlements not restricted to specific programs | 15,866,548 |
| Investment earnings | 36,399 |
| Miscellaneous | 102,799 |
| Total general revenues | 30,631,810 |
| Change in net assets | 904,364 |
| Net assets at beginning of year | 30,671,012 |
| Net assets at end of year | \$ 31,575,376 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | <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 investments | \$ 3,864,917 | \$ 3,956,352 | \$ 6,458,385 | \$ 2,142,669 | \$ 16,422,323 |
| Receivables: | | | | | |
| Property taxes | 12,683,519 | 2,659,534 | - | 899,079 | 16,242,132 |
| Accrued interest | - | - | 82 | - | 82 |
| Interfund loans | 78,928 | - | - | - | 78,928 |
| Intergovernmental | 211,623 | - | 2,739,999 | 143,510 | 3,095,132 |
| Prepayments | 682 | - | - | - | 682 |
| Materials and supplies inventory | - | - | - | 16,344 | 16,344 |
| Total assets | <u>\$ 16,839,669</u> | <u>\$ 6,615,886</u> | <u>\$ 9,198,466</u> | <u>\$ 3,201,602</u> | <u>\$ 35,855,623</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 16,829 | \$ - | \$ - | \$ 3,715 | \$ 20,544 |
| Retainage payable | - | - | 18,396 | - | 18,396 |
| Accrued wages and benefits | 2,803,340 | - | - | 227,148 | 3,030,488 |
| Compensated absences payable | 105,108 | - | - | - | 105,108 |
| Pension obligation payable | 623,346 | - | - | 57,990 | 681,336 |
| Intergovernmental payable | 151,612 | - | - | 10,576 | 162,188 |
| Interfund loans payable | - | - | - | 78,928 | 78,928 |
| Deferred revenue | 306,729 | 22,884 | 2,566,639 | 47,879 | 2,944,131 |
| Unearned revenue | 12,373,413 | 2,636,650 | - | 891,185 | 15,901,248 |
| Total liabilities | <u>16,380,377</u> | <u>2,659,534</u> | <u>2,585,035</u> | <u>1,317,421</u> | <u>22,942,367</u> |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Materials and supplies inventory | - | - | - | 16,344 | 16,344 |
| Prepays | 682 | - | - | - | 682 |
| Restricted: | | | | | |
| Debt service | - | 3,956,352 | - | - | 3,956,352 |
| Capital improvements | - | - | 6,613,431 | 836,522 | 7,449,953 |
| Classroom facilities maintenance | - | - | - | 786,812 | 786,812 |
| Targeted academic assistance | - | - | - | 820 | 820 |
| Other purposes | - | - | - | 12,187 | 12,187 |
| Extracurricular | - | - | - | 70,745 | 70,745 |
| Committed: | | | | | |
| Capital improvements | - | - | - | 422,990 | 422,990 |
| Assigned: | | | | | |
| Student instruction | 5,530 | - | - | - | 5,530 |
| Student and staff support | 198,537 | - | - | - | 198,537 |
| Uniform school supplies | 7,801 | - | - | - | 7,801 |
| Subsequent year appropriations | 105,333 | - | - | - | 105,333 |
| Other purposes | 3,830 | - | - | - | 3,830 |
| Unassigned (deficit) | 137,579 | - | - | (262,239) | (124,660) |
| Total fund balances | <u>459,292</u> | <u>3,956,352</u> | <u>6,613,431</u> | <u>1,884,181</u> | <u>12,913,256</u> |
| Total liabilities and fund balances | <u>\$ 16,839,669</u> | <u>\$ 6,615,886</u> | <u>\$ 9,198,466</u> | <u>\$ 3,201,602</u> | <u>\$ 35,855,623</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, 2012

| | | |
|--|--------------|----------------------|
| Total governmental fund balances | | \$ 12,913,256 |
| <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. | | 58,644,440 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Property taxes receivable | \$ 125,884 | |
| Accrued interest receivable | 82 | |
| Intergovernmental receivable | 2,818,165 | |
| Total | 2,818,165 | 2,944,131 |
| Unamortized bond issuance costs are not recognized in the funds. | | 397,235 |
| Unamortized premiums on bond issuances are not recognized in the funds. | | (720,232) |
| Unamortized deferred charges on refundings are not recognized in the funds. | | 561,897 |
| On the statement of net assets, interest is accrued on outstanding bonds whereas in governmental funds, interest is reported when due. | | (227,744) |
| 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 | (9,870,000) | |
| General obligation capital appreciation bonds | (8,609,650) | |
| General obligation serial bonds | (1,400,000) | |
| General obligation term bonds | (21,590,000) | |
| Capital lease obligation | (110,335) | |
| Lease purchase agreements | (202,000) | |
| Compensated absences | (1,155,622) | |
| Total | (42,937,607) | (42,937,607) |
| Net assets of governmental activities | | \$ 31,575,376 |

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, 2012

| | <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 | \$ 11,028,377 | \$ 2,536,722 | \$ - | \$ 874,982 | \$ 14,440,081 |
| Payment in lieu of taxes | 109,460 | - | - | - | 109,460 |
| Tuition | 517,400 | - | - | - | 517,400 |
| Transportation fees | 868 | - | - | - | 868 |
| Earnings on investments | 1,495 | - | 82,322 | 161 | 83,978 |
| Charges for services | - | - | - | 824,179 | 824,179 |
| Extracurricular | 110,545 | - | - | 188,596 | 299,141 |
| Classroom materials and fees | 254,715 | - | - | - | 254,715 |
| Rental income | 2,665 | - | - | - | 2,665 |
| Contributions and donations | 1,848 | - | - | 37,000 | 38,848 |
| Contract services | 38,943 | - | - | - | 38,943 |
| Other local revenues | 102,799 | - | - | 54,463 | 157,262 |
| Intergovernmental - state | 16,096,034 | 722,547 | 701,257 | 219,367 | 17,739,205 |
| Intergovernmental - federal | 159,409 | 577,625 | - | 2,074,015 | 2,811,049 |
| Total revenues | 28,424,558 | 3,836,894 | 783,579 | 4,272,763 | 37,317,794 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 13,674,378 | - | - | 139,844 | 13,814,222 |
| Special | 3,115,047 | - | - | 868,689 | 3,983,736 |
| Other | 53,587 | - | - | - | 53,587 |
| Support services: | | | | | |
| Pupil | 2,041,565 | - | - | 265,428 | 2,306,993 |
| Instructional staff | 2,864,985 | - | - | 193,831 | 3,058,816 |
| Board of education | 142,585 | - | - | - | 142,585 |
| Administration | 1,445,735 | - | - | 13,113 | 1,458,848 |
| Fiscal | 675,466 | 53,003 | - | 17,574 | 746,043 |
| Business | 33,263 | - | - | - | 33,263 |
| Operations and maintenance | 2,434,582 | - | - | 112,144 | 2,546,726 |
| Pupil transportation | 1,207,113 | - | - | 261,734 | 1,468,847 |
| Central | 223,915 | - | - | - | 223,915 |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 14,737 | - | - | 8,055 | 22,792 |
| Food service operations | - | - | - | 1,391,994 | 1,391,994 |
| Extracurricular activities | 365,346 | - | - | 221,586 | 586,932 |
| Facilities acquisition and construction | - | - | 13,645,361 | 1,837,022 | 15,482,383 |
| Debt service: | | | | | |
| Principal retirement | 88,242 | 1,465,000 | - | 2,990,000 | 4,543,242 |
| Interest and fiscal charges | 23,364 | 2,106,769 | - | - | 2,130,133 |
| Bond issuance costs | - | 56,869 | - | - | 56,869 |
| Total expenditures | 28,403,910 | 3,681,641 | 13,645,361 | 8,321,014 | 54,051,926 |
| Excess (deficiency) of revenues over (under) expenditures | 20,648 | 155,253 | (12,861,782) | (4,048,251) | (16,734,132) |
| Other financing sources: | | | | | |
| Premium on bonds and notes sold | - | 56,869 | - | - | 56,869 |
| Sale of bonds | - | - | - | 2,980,000 | 2,980,000 |
| Insurance recoveries | 13,626 | - | - | - | 13,626 |
| Total other financing sources | 13,626 | 56,869 | - | 2,980,000 | 3,050,495 |
| Net change in fund balances | 34,274 | 212,122 | (12,861,782) | (1,068,251) | (13,683,637) |
| Fund balances at beginning of year | 425,018 | 3,744,230 | 19,475,213 | 2,960,282 | 26,604,743 |
| Decrease in reserve for inventory | - | - | - | (7,850) | (7,850) |
| Fund balances at end of year | \$ 459,292 | \$ 3,956,352 | \$ 6,613,431 | \$ 1,884,181 | \$ 12,913,256 |

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, 2012

Net change in fund balances - total governmental funds \$ (13,683,637)

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 | \$ 15,732,024 | |
| Current year depreciation | (1,479,523) | |
| Total | | 14,252,501 |

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

(7,850)

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

| | | |
|-------------------------|-----------|------------------|
| Property taxes | 76,523 | |
| Earnings on investments | (47,541) | |
| Intergovernmental | (649,989) | |
| Total | | (621,007) |

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 | 1,465,000 | |
| Bond anticipation notes | 2,990,000 | |
| Lease purchase agreements | 35,000 | |
| Capital leases | 53,242 | |
| Total | | 4,543,242 |

Issuances of current interest bonds 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.

(2,980,000)

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:

| | | |
|---|-----------|------------------|
| Increase in accrued interest payable | (31,667) | |
| Accreted interest on capital appreciation bonds | (588,658) | |
| Amortization of bond issuance costs | (18,328) | |
| Amortization of bond premiums | 34,498 | |
| Amortization of deferred charges | (38,976) | |
| Total | | (643,131) |

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.

44,246

Change in net assets of governmental activities \$ 904,364

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, 2012

| | <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 | \$ 11,286,824 | \$ 11,422,135 | \$ 11,293,377 | \$ (128,758) |
| Payment in lieu of taxes | 109,460 | 109,460 | 109,460 | - |
| Tuition | 517,100 | 523,299 | 517,400 | (5,899) |
| Transportation fees | 867 | 878 | 868 | (10) |
| Earnings on investments | 1,443 | 1,460 | 1,444 | (16) |
| Extracurricular | 47,903 | 48,477 | 47,931 | (546) |
| Classroom materials and fees | 84,147 | 85,156 | 84,196 | (960) |
| Rental income | 2,663 | 2,695 | 2,665 | (30) |
| Contract services | 45,098 | 45,638 | 45,124 | (514) |
| Other local revenues | 75,657 | 77,876 | 75,764 | (2,112) |
| Intergovernmental - state | 16,086,694 | 16,279,549 | 16,096,034 | (183,515) |
| Intergovernmental - federal | 159,317 | 161,226 | 159,409 | (1,817) |
| Total revenues | 28,417,173 | 28,757,849 | 28,433,672 | (324,177) |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 13,342,487 | 13,553,773 | 13,525,447 | 28,326 |
| Special | 2,999,335 | 3,046,831 | 3,040,464 | 6,367 |
| Other | 52,460 | 53,290 | 53,179 | 111 |
| Support services: | | | | |
| Pupil | 2,060,541 | 2,093,170 | 2,088,796 | 4,374 |
| Instructional staff | 2,879,592 | 2,925,192 | 2,919,079 | 6,113 |
| Board of education | 140,035 | 142,252 | 141,955 | 297 |
| Administration | 1,490,547 | 1,514,150 | 1,510,986 | 3,164 |
| Fiscal | 654,166 | 664,525 | 663,136 | 1,389 |
| Business | 45,807 | 46,532 | 46,435 | 97 |
| Operations and maintenance | 2,518,655 | 2,558,539 | 2,553,192 | 5,347 |
| Pupil transportation | 1,186,343 | 1,205,129 | 1,202,611 | 2,518 |
| Central | 220,276 | 223,765 | 223,297 | 468 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 15,645 | 15,893 | 15,860 | 33 |
| Extracurricular activities | 359,538 | 365,231 | 364,468 | 763 |
| Debt service: | | | | |
| Principal | 34,527 | 35,073 | 35,000 | 73 |
| Interest and fiscal charges | 10,545 | 10,712 | 11,626 | (914) |
| Total expenditures | 28,010,499 | 28,454,057 | 28,395,531 | 58,526 |
| Excess (deficiency) of revenues over (under) expenditures | 406,674 | 303,792 | 38,141 | (265,651) |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 2,562 | - | 3,711 | 3,711 |
| Advances in | - | - | 261,208 | 261,208 |
| Advances (out) | - | - | (171,572) | (171,572) |
| Insurance recoveries | - | - | 13,626 | 13,626 |
| Total other financing sources (uses) | 2,562 | - | 106,973 | 106,973 |
| Net change in fund balance | 409,236 | 303,792 | 145,114 | (158,678) |
| Fund balance at beginning of year | 3,476,677 | 3,476,677 | 3,476,677 | - |
| Prior year encumbrances appropriated | 10,499 | 10,499 | 10,499 | - |
| Fund balance at end of year | \$ 3,896,412 | \$ 3,790,968 | \$ 3,632,290 | \$ (158,678) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

| | Private-Purpose Trust | |
|--|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and investments | \$ 19,378 | \$ 52,574 |
| Total assets | 19,378 | \$ 52,574 |
| Liabilities: | | |
| Due to students | - | 52,574 |
| Total liabilities | - | \$ 52,574 |
| Net assets: | | |
| Held in trust for scholarships | 19,378 | |
| Total net assets | \$ 19,378 | |

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, 2012

| | Private-Purpose Trust |
|--|----------------------------------|
| | Scholarship |
| Additions: | |
| Gifts and contributions. | \$ 15,369 |
| Total additions. | 15,369 |
| Deductions: | |
| Scholarships awarded | 20,750 |
| Change in net assets. | (5,381) |
| Net assets at beginning of year | 24,759 |
| Net assets at end of year. | \$ 19,378 |

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, 2012

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 260 certified full-time teaching and administrative personnel and 146 classified personnel, who provide services to approximately 3,800 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, 2012

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, 2012

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, 2012

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, 2012, but which were levied to finance fiscal year 2013 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, 2012 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, 2012

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 2012 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, 2012

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 2012.
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 2012.
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 investments."

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

During fiscal year 2012, the District had investments in negotiable certificates of deposit, 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, 2012.

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 2012 amounted to \$1,495, which includes \$388 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, 2012

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, 2012 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, 2012

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 bond 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, 2012

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, 2012

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, 2012, 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 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 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, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|--------------------------------|----------------|
| Food service | \$ 138,092 |
| Education jobs | 11,008 |
| IDEA Part-B | 96,207 |
| Stimulus Title II-D | 33 |
| Title I | 515 |
| IDEA Part-B preschool stimulus | 40 |

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At fiscal year end, the District had \$550 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$8,028,290. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$8,266,497 of the District's bank balance of \$8,741,557 was covered by the FDIC, while \$475,060 was exposed to custodial risk as discussed below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

C. Investments

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

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

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

As of June 30, 2012, the District had the following investment and maturity:

| | <u>Fair Value</u> | <u>Investment Maturities</u> | | | | |
|-----------------|---------------------|------------------------------|-----------------------|------------------------|------------------------|-------------------------------|
| | | <u>6 months or less</u> | <u>7 to 12 months</u> | <u>13 to 18 months</u> | <u>19 to 24 months</u> | <u>Greater than 24 months</u> |
| U.S. Government | | | | | | |
| money market | \$ 7,724,281 | \$ 7,724,281 | \$ - | \$ - | \$ - | \$ - |
| Negotiable CD | 249,143 | - | - | - | - | 249,143 |
| STAR Ohio | 492,011 | 492,011 | - | - | - | - |
| | <u>\$ 8,465,435</u> | <u>\$ 8,216,292</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 249,143</u> |

The weighted average maturity of investments is 0.07 years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 AA+ 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.

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, 2012:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------------|---------------------|-------------------|
| U.S. Government money market | \$ 7,724,281 | 91.25 |
| Negotiable CD | 249,143 | 2.94 |
| STAR Ohio | 492,011 | 5.81 |
| Total | <u>\$ 8,465,435</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, 2012:

| <u>Cash and investments per note disclosure</u> | |
|---|----------------------|
| Carrying amount of deposits | \$ 8,028,290 |
| Investments | 8,465,435 |
| Cash on hand | 550 |
| Total | <u>\$ 16,494,275</u> |

| <u>Cash and investments per statement of net assets</u> | |
|---|----------------------|
| Governmental activities | \$ 16,422,323 |
| Private-purpose trust fund | 19,378 |
| Agency fund | 52,574 |
| Total | <u>\$ 16,494,275</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS

At June 30, 2012, 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>78,928</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.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$215,000 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$480,000 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, 2012 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, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

| | 2011 Second Half Collections | | 2012 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 327,024,100 | 74.86 | \$ 319,427,950 | 78.34 |
| Public utility personal | <u>109,828,910</u> | <u>25.14</u> | <u>88,330,650</u> | <u>21.66</u> |
| Total | <u>\$ 436,853,010</u> | <u>100.00</u> | <u>\$ 407,758,600</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$49.87 | | \$50.44 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 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 | \$ 16,242,132 |
| Accrued interest | 82 |
| Intergovernmental | <u>3,095,132</u> |
| Total | <u>\$ 19,337,346</u> |

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$2,739,999 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, 2012

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

| <u>Governmental activities:</u> | <u>Balance</u> <u>06/30/11</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/12</u> |
|--|-----------------------------------|----------------------|-------------------|-----------------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 2,380,689 | \$ - | \$ - | \$ 2,380,689 |
| Construction in progress | 19,812,974 | 14,694,159 | - | 34,507,133 |
| <i>Total capital assets, not being depreciated</i> | <u>22,193,663</u> | <u>14,694,159</u> | <u>-</u> | <u>36,887,822</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 1,105,905 | 206,767 | - | 1,312,672 |
| Buildings and improvements | 34,482,854 | 527,869 | - | 35,010,723 |
| Equipment and furniture | 3,937,158 | 143,833 | - | 4,080,991 |
| Vehicles | 2,140,911 | 159,396 | - | 2,300,307 |
| <i>Total capital assets, being depreciated</i> | <u>41,666,828</u> | <u>1,037,865</u> | <u>-</u> | <u>42,704,693</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (258,796) | (54,372) | - | (313,168) |
| Buildings and improvements | (15,183,191) | (1,021,338) | - | (16,204,529) |
| Equipment and furniture | (2,916,653) | (317,536) | - | (3,234,189) |
| Vehicles | (1,109,912) | (86,277) | - | (1,196,189) |
| <i>Total accumulated depreciation</i> | <u>(19,468,552)</u> | <u>(1,479,523)</u> | <u>-</u> | <u>(20,948,075)</u> |
| Total capital assets, net | <u>\$ 44,391,939</u> | <u>\$ 14,252,501</u> | <u>\$ -</u> | <u>\$ 58,644,440</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 1,129,498 |
| Special | 24,700 |
| <u>Support services:</u> | |
| Pupil | 1,578 |
| Instructional staff | 96,808 |
| Administration | 17,827 |
| Fiscal | 2,159 |
| Operations and maintenance | 35,486 |
| Pupil transportation | 88,820 |
| Other non-instructional services | 940 |
| Extracurricular activities | 71,908 |
| Food service operations | <u>9,799</u> |
| Total depreciation expense | <u>\$ 1,479,523</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 was \$139,810, leaving a book value of \$130,079. Principal payments in fiscal year 2012 totaled \$53,242 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, 2012:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2013 | \$ 64,981 |
| 2014 | <u>54,666</u> |
| Total minimum lease payments | 119,647 |
| Less: amount representing interest | <u>(9,312)</u> |
| Total | <u>\$ 110,335</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 2012 totaled \$35,000 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, 2012

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, 2012.

| <u>Fiscal Year Ending June 30.</u> | <u>Amount</u> |
|------------------------------------|--------------------------|
| 2013 | \$ 47,208 |
| 2014 | 47,345 |
| 2015 | 46,381 |
| 2016 | 46,366 |
| 2017 | <u>46,251</u> |
| Total minimum lease payments | 233,551 |
| Less: amount representing interest | <u>(31,551)</u> |
| Total | <u><u>\$ 202,000</u></u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

| | Balance 6/30/11 | Increases | Decreases | Balance 6/30/12 | Amount Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|----------------------------------|
| <u>Governmental activities:</u> | | | | | |
| <u>G.O. Bonds - Series 1999</u> | | | | | |
| Current interest refunding bonds | \$ 780,000 | \$ - | \$ (780,000) | \$ - | \$ - |
| Capital appreciation bonds | 1,848,576 | - | - | 1,848,576 | 538,070 |
| Accreted interest on bonds | 3,210,589 | 442,407 | - | 3,652,996 | 1,021,787 |
| <u>G.O. Refunding Bonds - Series 2005</u> | | | | | |
| Current interest bonds | 7,570,000 | - | (680,000) | 6,890,000 | - |
| Capital appreciation bonds | 2,199,979 | - | - | 2,199,979 | - |
| Accreted interest on bonds | 761,848 | 146,251 | - | 908,099 | - |
| <u>G.O. Bonds - Series 2009</u> | | | | | |
| Serial bonds | 1,405,000 | - | (5,000) | 1,400,000 | 15,000 |
| Term bonds | 21,590,000 | - | - | 21,590,000 | - |
| <u>G.O. Bonds - Series 2011</u> | | | | | |
| Current interest bonds | - | 2,980,000 | - | 2,980,000 | 75,000 |
| Bond anticipation notes payable | 2,990,000 | - | (2,990,000) | - | - |
| Lease purchase agreements | 237,000 | - | (35,000) | 202,000 | 37,000 |
| Capital lease obligations | 163,577 | - | (53,242) | 110,335 | 57,890 |
| Compensated absences | 1,312,494 | 300,240 | (352,004) | 1,260,730 | 257,608 |
| Total | \$ 44,069,063 | \$ 3,868,898 | \$ (4,895,246) | 43,042,715 | \$ 2,002,355 |
| Unamortized premium on refunding bonds | | | | 720,232 | |
| Unamortized deferred charges on refunding bonds | | | | (561,897) | |
| Total long-term liabilities on statement of net assets | | | | \$ 43,201,050 | |

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, 2012

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 \$3,562,996 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, 2012 was \$10,285,000.

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, 2012 is \$3,108,078. Total accreted interest of \$908,099 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 2012 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 2012 was \$8,711.

As of fiscal year end, \$9,905,557 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, 2012

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> |
|--------------------------|---------------|
| 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, 2012

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.

Bond Anticipation Notes - 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 matured on November 29, 2011 with an interest rate of 1.50%.

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

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, 2012

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012 are as follows:

| Fiscal Year Ending June 30, | <u>General Obligation Bonds - Series 1999</u> | | | <u>Capital Appreciation Bonds</u> | | |
|--------------------------------|---|---------------------|---------------------|-----------------------------------|--|--|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | | | |
| 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 | <u>391,488</u> | <u>1,218,512</u> | <u>1,610,000</u> | | | |
| Total | <u>\$ 1,848,576</u> | <u>\$ 4,636,424</u> | <u>\$ 6,485,000</u> | | | |

| Fiscal Year Ending June 30, | <u>General Obligation Refunding Bonds - Series 2005</u> | | | <u>Capital Appreciation Bonds</u> | | |
|--------------------------------|---|---------------------|---------------------|-----------------------------------|---------------------|---------------------|
| | <u>Current Interest Bonds</u> | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | | | |
| 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 | - | 310,715 | 310,715 | 1,113,979 | 841,021 | 1,955,000 |
| 2018 - 2022 | 3,795,000 | 1,170,955 | 4,965,955 | 1,086,000 | 914,000 | 2,000,000 |
| 2023 - 2026 | <u>2,720,000</u> | <u>318,500</u> | <u>3,038,500</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 6,890,000</u> | <u>\$ 3,099,532</u> | <u>\$ 9,989,532</u> | <u>\$ 2,199,979</u> | <u>\$ 1,755,021</u> | <u>\$ 3,955,000</u> |

| Fiscal Year Ending June 30, | <u>General Obligation Bonds - Series 2009</u> | | | <u>School Improvement Bonds - Series 2011</u> | | |
|--------------------------------|---|----------------------|----------------------|---|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2013 | \$ 15,000 | \$ 1,650,223 | \$ 1,665,223 | \$ 75,000 | \$ 108,061 | \$ 183,061 |
| 2014 | 5,000 | 1,649,413 | 1,654,413 | 75,000 | 105,964 | 180,964 |
| 2015 | 35,000 | 1,649,143 | 1,684,143 | 75,000 | 104,464 | 179,464 |
| 2016 | 110,000 | 1,647,253 | 1,757,253 | 75,000 | 102,964 | 177,964 |
| 2017 | 5,000 | 1,641,313 | 1,646,313 | 85,000 | 101,464 | 186,464 |
| 2018 - 2022 | 950,000 | 8,150,521 | 9,100,521 | 460,000 | 477,530 | 937,530 |
| 2023 - 2027 | 2,915,000 | 7,631,314 | 10,546,314 | 525,000 | 401,155 | 926,155 |
| 2028 - 2032 | 6,365,000 | 6,143,044 | 12,508,044 | 645,000 | 286,555 | 931,555 |
| 2033 - 2037 | 10,455,000 | 3,297,375 | 13,752,375 | 785,000 | 143,657 | 928,657 |
| 2038 | <u>2,135,000</u> | <u>160,125</u> | <u>2,295,125</u> | <u>180,000</u> | <u>7,875</u> | <u>187,875</u> |
| Total | <u>\$ 22,990,000</u> | <u>\$ 33,619,724</u> | <u>\$ 56,609,724</u> | <u>\$ 2,980,000</u> | <u>\$ 1,839,689</u> | <u>\$ 4,819,689</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012 are a legal voted debt margin of \$3,746,071 (including available funds of \$3,956,352), and a legal unvoted debt margin of \$407,759.

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 2012, 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 2011.

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, 2012

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2012, 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 "*Employers/Audit Resources*".

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 2012, 12.65 percent and 0.05 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, 2012, 2011 and 2010 were \$511,345, \$520,722 and \$606,416, respectively; 56.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 2012

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 2012, 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, 2012, 2011 and 2010 were \$1,871,552, \$2,042,071 and \$2,117,459, respectively; 84.04 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$46,959 made by the District and \$33,542 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, 2012, 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, 2012

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 Section 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 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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 "*Employers/Audit Resources*".

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 2012, 0.55 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 2012, 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, 2012, 2011 and 2010 were \$87,707, \$134,983 and \$92,609, respectively; 56.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$30,198, \$33,510 and \$36,062, respectively; 56.64 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 2012, 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, 2012, 2011 and 2010 were \$143,966, \$157,082 and \$162,881, respectively; 84.04 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 | \$ 145,114 |
| Net adjustment for revenue accruals | (302,578) |
| Net adjustment for expenditure accruals | 152,013 |
| Net adjustment for other sources/uses | (99,630) |
| Funds budgeted elsewhere | 15,811 |
| Adjustment for encumbrances | 123,544 |
| GAAP basis | \$ 34,274 |

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 Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

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, 2012

NOTE 17 - SET-ASIDES

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

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2011 | \$ - |
| Current year set-aside requirement | 621,322 |
| Contributions in excess of the current fiscal year set-aside requirement | - |
| Current year qualifying expenditures | - |
| Excess qualified expenditures from prior years | - |
| Current year offsets | (282,292) |
| Waiver granted by ODE | - |
| Prior year offset from bond proceeds | <u>(339,030)</u> |
| Total | <u>\$ -</u> |
| Balance carried forward to fiscal year 2013 | <u>\$ -</u> |
| Set-aside balance June 30, 2012 | <u>\$ -</u> |

The District had current year qualifying disbursements and offsets that reduced the textbook set-aside amount to below zero. 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 \$50,229,546 at June 30, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 18 - CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding at June 30, 2012, related to their OSFC construction project.

| Contractor | Original Contract | Amount Paid | Remaining Contract |
|---------------------------------|----------------------|----------------------|-----------------------|
| A-1 Sanitation - Don Beeman | \$ 5,500 | \$ - | \$ 5,500 |
| A.C.H. Services Inc. | 16,735 | 3,870 | 12,865 |
| Alt & Witzig Engineering Inc. | 10,000 | 2,206 | 7,794 |
| Artic Heating and A/C | 3,338,852 | 3,280,002 | 58,850 |
| Buckeye Balancing LLC | 6,000 | - | 6,000 |
| Butler County Bldg & Zoning | 206 | 103 | 103 |
| Continental OFFC Environments | 305,094 | 295,002 | 10,092 |
| Eckert Fire Protection | 11,656 | 5,399 | 6,257 |
| ENC Services Inc. | 1,000 | - | 1,000 |
| Evans Landscaping, Inc. | 16,833 | 2,851 | 13,982 |
| Farnham Equipment Co. | 819,000 | 798,643 | 20,357 |
| Ferrellgas | 20,000 | 10,871 | 9,129 |
| Global Industrial Equipment | 112 | - | 112 |
| Jackson and Sons Drilling | 1,233,958 | 1,212,598 | 21,360 |
| Ken Neyer Plumbing, Inc. | 1,343,626 | 1,292,378 | 51,248 |
| Key Blue Print | 85,000 | 77,436 | 7,564 |
| Kleingers & Associates | 2,500 | 125 | 2,375 |
| McKenrick Lee Photograpy | 10,000 | 1,200 | 8,800 |
| Miter Masonry Contractors, Inc. | 3,921,490 | 3,819,180 | 102,310 |
| MW Metals, Inc. | 1,557,747 | 1,290,689 | 267,058 |
| Netech Corp. | 1,042,105 | 969,363 | 72,742 |
| Reddy Electric Co. | 43,925 | 5,347 | 38,578 |
| Sehlhorst Equipment Srvs. LLC | 1,000 | - | 1,000 |
| Shield On-Site | 10,000 | 2,700 | 7,300 |
| SHP Leading Design | 1,764,483 | 1,705,321 | 59,162 |
| Stafford-Smith, Inc. | 322,075 | 318,118 | 3,957 |
| Stan and Associates Inc. | 108,243 | 79,520 | 28,723 |
| Tom Sexton & Associates | 157,000 | 151,274 | 5,726 |
| Tricon, Inc. | 181,652 | 12,166 | 169,486 |
| Quandel Group, Inc. | 2,124,476 | 1,977,240 | 147,236 |
| Zimmerman School Equipment | 178,332 | 172,897 | 5,435 |
| | <u>\$ 18,638,600</u> | <u>\$ 17,486,499</u> | <u>\$ 1,152,101</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 | \$ 124,652 |
| Classroom facilities | 3,062,245 |
| Other governmental | <u>835,587</u> |
| Total | <u>\$ 4,022,484</u> |

NOTE 20 – SUBSEQUENT EVENTS

In August 2013, the District received an increase of approximately \$1.7 million in the August property tax settlement. The subsequent increase is attributed to the expired 10 year tax abatement agreement with Duke Energy. The five-year forecast has been updated to reflect the increase in property tax settlement estimations.

EDGEWOOD CITY SCHOOL DISTRICT
Butler County

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

| 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 | \$ 63,879 | \$ 63,879 |
| School Breakfast Program | 05-PU | 10.553 | 139,026 | 139,026 |
| National School Lunch Program | LLP4 | 10.555 | 506,486 | 506,486 |
| Child Nutrition Cluster Total | | | <u>645,512</u> | <u>645,512</u> |
| Child and Adult Care Food Program | CCMO | 10.558 | 3,338 | 3,338 |
| Total United States Department of Agriculture | | | <u>712,729</u> | <u>712,729</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 | 395,224 | 416,914 |
| ARRA - Title I Grants to Local Educational Agencies | N/A | 84.389 | - | 21,350 |
| Title I Part A Cluster Total | | | <u>395,224</u> | <u>438,264</u> |
| <i>Special Education Cluster:</i> | | | | |
| Special Education - Grants to States | 6BSF | 84.027 | 692,174 | 692,174 |
| ARRA - Special Educaiton - Grants to States | N/A | 84.391 | 7,279 | 8,788 |
| Special Education - Preschool Grants | PGS1 | 84.173 | 4,253 | 4,253 |
| Special Education Cluster Total | | | <u>703,706</u> | <u>705,215</u> |
| Education Technology State Grants | TJS1 | 84.318 | 3,043 | 3,043 |
| Educations Job Fund | N/A | 84.410 | 281,529 | 316,885 |
| Improving Teacher Quality State Grants | TRS1 | 84.367 | 90,557 | 102,748 |
| Total United States Department of Education | | | <u>1,474,059</u> | <u>1,566,155</u> |
| U.S. Department of Heath and Human Services | | | | |
| <i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i> | | | | |
| Community Alternative Funding System (CAFS) | N/A | 93.778 | 143,327 | 173,327 |
| Total U.S. Department of Heath and Human Services | | | <u>143,327</u> | <u>173,327</u> |
| Total Federal Awards | | | <u>\$ 2,330,115</u> | <u>\$ 2,452,211</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, 2012**

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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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
3440 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, 2012, which collectively comprise Edgewood City School District's basic financial statements and have issued our report thereon dated January 31, 2013. 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 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, 2013



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
3440 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, 2012. 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, 2012.

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.

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, 2013

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2012**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material 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)? | None Reported |
| <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? | None Reported |
| <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): | <i>Child Nutrition Cluster: CFDA #10.553 – School Breakfast Program, CFDA #10.555 – National School Lunch Program , CFDA #10.555 Food Donations</i> |
| <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? | Yes |

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2012**

**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, 2012**

No prior year findings noted.



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Edgewood City School District
Butler County
3440 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 amended its anti-harassment policy at its meeting on July 16th, 2012, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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, 2013



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 9, 2013**