

EDGEWOOD CITY SCHOOL DISTRICT

Butler County, Ohio

Single Audit

July 1, 2009 through June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



Caudill & Associates, CPA's

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Edgewood City School District, Butler County, prepared by Caudill & Associates, CPAs, for the audit period July 1, 2009 through June 30, 2010. 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 18, 2011

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

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Independent Auditor's Report

Edgewood City School District
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood City School District, Butler County, Ohio, as of and for the fiscal year ended June 30, 2010, 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, 2010, 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, 2011, 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. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Edgewood City School District

Independent Auditor's Report (Continued)

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
January 31, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities increased \$17,999,140 which represents a 168.82% increase from 2009.
- General revenues accounted for \$50,780,394 in revenue or 90.01% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$5,634,655 or 9.99% of total revenues of \$56,415,049.
- The District had \$38,415,909 in expenses related to governmental activities; only \$5,634,655 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 \$50,780,394 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$27,792,043 in revenues and other financing sources and \$30,354,206 in expenditures and other financing uses. During fiscal 2010, the general fund's fund balance decreased \$2,562,163 from \$1,282,971 to a deficit of \$1,279,192.
- The District's other major governmental fund, the classroom facilities fund, had \$56,633,303 in revenues and other financing sources and \$26,193,226 in expenditures. During fiscal 2010, the classroom facilities fund's fund balance increased \$30,440,077 from a deficit of \$639,215 to a fund balance of \$29,800,862.

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 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, 2010

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 2010?" 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 14-15 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 9. 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 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 16-20 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 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 23-55 of this report.

The District as a Whole

The table below provides a summary of the District's net assets for fiscal years 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 61,952,278	\$ 25,633,347
Capital assets	<u>29,387,120</u>	<u>27,050,925</u>
Total assets	<u>91,339,398</u>	<u>52,684,272</u>
<u>Liabilities</u>		
Current liabilities	17,666,993	19,795,586
Long-term liabilities	<u>45,011,718</u>	<u>22,227,139</u>
Total liabilities	<u>62,678,711</u>	<u>42,022,725</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	12,438,070	8,828,025
Restricted	21,735,268	5,074,133
Unrestricted (deficit)	<u>(5,512,651)</u>	<u>(3,240,611)</u>
Total net assets	<u>\$ 28,660,687</u>	<u>\$ 10,661,547</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$28,660,687. The District's net assets increased \$17,999,140 or 168.82% as a result of the District entering in to an agreement with the Ohio School Facilities Commission (OSFC) for a construction project which includes an outstanding State share of \$16,814,317.

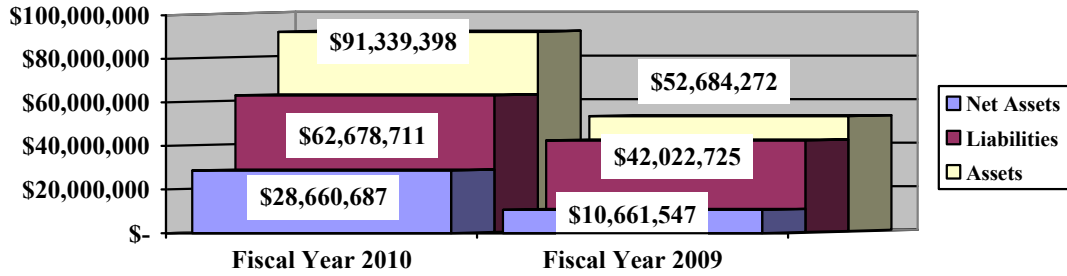
At year-end, capital assets represented 32.17% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$12,438,070. These 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, \$21,735,268, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$5,512,651.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Governmental Activities



The table below shows the change in net assets for the fiscal years ending June 30, 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,722,503	\$ 1,642,915
Operating grants and contributions	3,887,152	3,018,418
Capital grants and contributions	25,000	25,490
General revenues:		
Property taxes	12,361,597	13,262,271
Payments in-lieu of taxes	701,266	716,031
Grants and entitlements	16,814,317	16,552,612
Ohio School Facilities Commission grant	20,651,699	-
Investment earnings	214,329	116,334
Other	37,186	128,872
Total revenues	<u>\$ 56,415,049</u>	<u>\$ 35,462,943</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 15,568,215	\$ 14,988,259
Special	4,492,529	4,201,959
Other	46,234	39,890
Support services:		
Pupil	2,861,839	2,436,677
Instructional staff	3,445,123	3,334,032
Board of education	203,364	343,239
Administration	2,475,767	2,332,845
Fiscal	614,473	864,576
Business	142,968	179,410
Operations and maintenance	2,737,372	2,786,273
Pupil transportation	1,328,588	1,437,885
Central	195,238	202,678
Operations of non-instructional services	18,900	20,654
Food service operations	1,527,888	1,450,354
Extracurricular activities	633,153	648,562
Interest and fiscal charges	<u>2,124,258</u>	<u>1,259,204</u>
Total expenses	<u>38,415,909</u>	<u>36,526,497</u>
Change in net assets	17,999,140	(1,063,554)
Net assets at beginning of year	<u>10,661,547</u>	<u>11,725,101</u>
Net assets at end of year	<u>\$ 28,660,687</u>	<u>\$ 10,661,547</u>

Governmental Activities

Net assets of the District's governmental activities increased \$17,999,140. Total governmental expenses of \$38,415,909 were offset by program revenues of \$5,634,655 and general revenues of \$50,780,394. Program revenues supported 14.67% of the total governmental expenses.

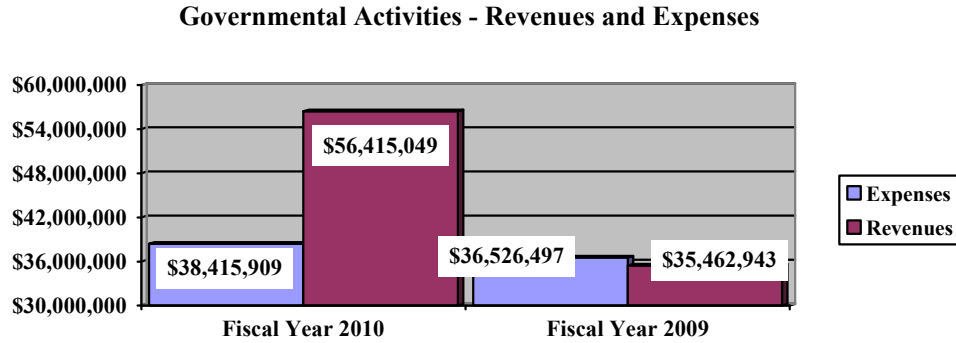
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. The District also entered into the OSFC construction project which includes unspent grant revenues for the State share of the project in the amount of \$16,814,317. These revenue sources represent 89.57% of total governmental revenue. Real estate property is reappraised every six years.

The District's financial condition has improved moderately in recent years, primarily due to increased financial support from the state. Future increases in state funding are projected to be more inflationary rather than the significant increases seen over the past several years. The District is projecting a decrease in state funding for future years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.



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	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2010	2010	2009	2009
<u>Program expenses</u>				
Instruction:				
Regular	\$ 15,568,215	\$ 14,577,446	\$ 14,988,259	\$ 14,348,588
Special	4,492,529	3,239,487	4,201,959	2,570,515
Other	46,234	39,648	39,890	33,276
Support services:				
Pupil	2,861,839	2,324,855	2,436,677	2,078,388
Instructional staff	3,445,123	3,219,303	3,334,032	2,908,055
Board of education	203,364	29,072	343,239	335,239
Administration	2,475,767	2,420,385	2,332,845	2,296,524
Fiscal	614,473	614,473	864,576	864,576
Business	142,968	142,968	179,410	179,410
Operations and maintenance	2,737,372	2,337,327	2,786,273	2,764,574
Pupil transportation	1,328,588	1,285,749	1,437,885	1,409,440
Central	195,238	115,945	202,678	202,678
Operation of non-instructional services	18,900	12,138	20,654	17,588
Food service operations	1,527,888	90,946	1,450,354	64,028
Extracurricular activities	633,153	526,631	648,562	507,591
Interest and fiscal charges	2,124,258	1,804,881	1,259,204	1,259,204
Total	\$ 38,415,909	\$ 32,781,254	\$ 36,526,497	\$ 31,839,674

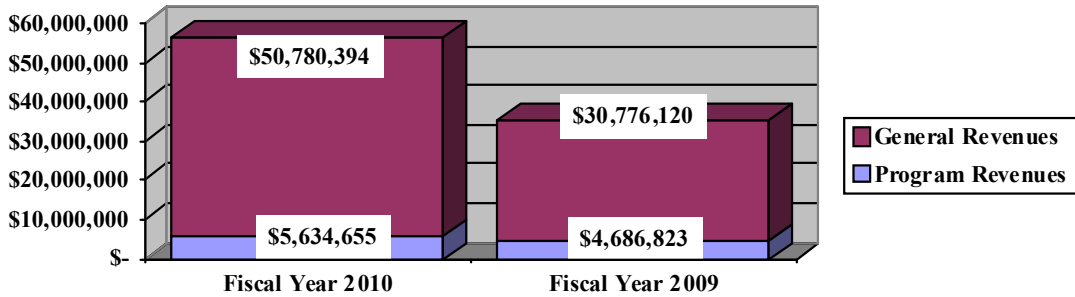
The dependence upon tax and other general revenues for governmental activities is apparent, as 88.81% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.33%. Taxes and intergovernmental state revenues are by far the primary sources of support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$34,852,116, which is higher than last year's total of \$5,649,955. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance (Deficit) <u>June 30, 2010</u>	Fund Balance (Deficit) <u>June 30, 2009</u>	Increase (Decrease)	Percentage Change
General	\$ (1,279,192)	\$ 1,282,971	\$ (2,562,163)	(199.71) %
Classroom facilities	29,800,862	(639,215)	30,440,077	4,762.10 %
Other governmental	<u>6,330,446</u>	<u>5,006,199</u>	<u>1,324,247</u>	26.45 %
Total	<u>\$ 34,852,116</u>	<u>\$ 5,649,955</u>	<u>\$ 29,202,161</u>	516.86 %

General Fund

The District's general fund balance decreased \$2,562,163. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 9,711,163	\$ 10,727,646	\$ (1,016,483)	(9.48) %
Tuition	287,037	132,729	154,308	116.26 %
Earnings on investments	21,141	112,859	(91,718)	(81.27) %
Intergovernmental	16,544,109	16,996,974	(452,865)	(2.66) %
Other revenues	<u>962,128</u>	<u>801,908</u>	<u>160,220</u>	19.98 %
Total	<u>\$ 27,525,578</u>	<u>\$ 28,772,116</u>	<u>\$ (1,246,538)</u>	(4.33) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 17,195,607	\$ 16,923,305	\$ 272,302	1.61 %
Support services	12,038,259	12,865,771	(827,512)	(6.43) %
Operation of non-instructional services	11,643	16,163	(4,520)	(27.97) %
Extracurricular activities	478,690	464,812	13,878	2.99 %
Capital outlay	245,564	24,325	221,239	909.51 %
Debt service	<u>300,669</u>	<u>303,026</u>	<u>(2,357)</u>	(0.78) %
Total	<u>\$ 30,270,432</u>	<u>\$ 30,597,402</u>	<u>\$ (326,970)</u>	(1.07) %

Taxes decreased slightly due to the elimination of tangible personal property taxes. Tuition revenues increased as a result of the District's continued participation in open enrollment. Investment earnings decreased due to decreasing interest rates and a decrease in available funds to invest. All other revenues were comparable to 2009. Support services expenditure line item decreased slightly due to budgetary controls. Capital outlay expenditures increased as a result of the District entering into a new capital lease. All other expenditures were comparable to 2009.

Classroom Facilities Fund

The classroom facilities fund had revenues and other financing sources of \$56,633,303 and expenditures of \$26,193,226. The classroom facilities fund's fund balance increased \$30,440,077 as a result of the intergovernmental revenues received in fiscal year 2010 for the State share of the OSFC construction project that were not spent as of June 30, 2010, along with bond and note proceeds issued to fund the local share of the construction project.

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 2010, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$28,193,586, which was lower than the original budgeted revenues estimate of \$29,438,278. Actual revenues and other financing sources for fiscal 2010 was \$28,383,035.

General fund final appropriations (appropriated expenditures plus other financing uses) of \$29,848,674 were higher than the original budgeted appropriations of \$29,394,050. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$29,848,757, which was \$83 greater than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$29,387,120 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 shows fiscal 2010 balances compared to 2009:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 2,380,689	\$ 2,380,689
Land improvements	895,632	385,768
Building and improvements	20,248,403	21,238,292
Equipment and furniture	1,078,577	1,178,568
Vehicles	1,110,405	1,197,032
Construction in progress	<u>3,673,414</u>	<u>670,576</u>
Total	<u>\$ 29,387,120</u>	<u>\$ 27,050,925</u>

The overall increase in capital assets of \$2,336,195 is primarily due to capital outlays of \$3,890,019 exceeding depreciation expense of \$1,553,824 in fiscal 2010. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2010, the District had \$40,194,800 in general obligation bonds outstanding. Of this total, \$1,375,000 is due within one year and \$38,819,800 is due within greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
General obligation bonds:		
Refunding bonds	\$ 9,720,000	\$ 11,000,000
Capital appreciation bonds	4,048,555	4,048,555
Accreted interest on bonds	3,426,245	2,919,333
Serial bonds	1,410,000	-
Terms bonds	<u>21,590,000</u>	<u>-</u>
Total	<u>\$ 40,194,800</u>	<u>\$ 17,967,888</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 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 has also approved all necessary resolutions to place the Substitute Levy on the November 2, 2010 ballot. If the District is successful in passing this levy, some of the employees whose contracts were suspended will be called back. The remainder of the employees whose contracts were suspended could be called back the following year. The millage for the Substitute Levy is 6.16.

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, 3500 Busenbark Road, Trenton, Ohio, 45067-9798.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 16,253,602
Investments.	23,951,334
Receivables:	
Taxes	12,204,491
Accounts.	18,927
Accrued interest	48,706
Intergovernmental	9,079,175
Unamortized bond issue costs	375,746
Prepayments	799
Materials and supplies inventory.	19,498
Capital assets:	
Land and construction in progress.	6,054,103
Depreciable capital assets, net.	23,333,017
Capital assets, net	29,387,120
Total assets.	91,339,398
Liabilities:	
Accounts payable.	19,390
Contracts payable.	1,005,918
Accrued wages and benefits	3,427,920
Pension obligation payable.	880,588
Intergovernmental payable	194,465
Unearned revenue	11,875,687
Accrued interest payable	263,025
Long-term liabilities:	
Due within one year.	1,842,283
Due in more than one year	43,169,435
Total liabilities	62,678,711
Net assets:	
Invested in capital assets, net of related debt.	12,438,070
Restricted for:	
Capital projects	18,175,453
Debt service.	3,363,804
Locally funded programs	20,876
Federally funded programs	30,648
Student activities	58,000
Public school support	57,734
Other purposes	28,753
Unrestricted (deficit)	(5,512,651)
Total net assets	\$ 28,660,687

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, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 15,568,215	\$ 710,699	\$ 280,070	\$ -	\$ (14,577,446)
Special	4,492,529	-	1,253,042	-	(3,239,487)
Other	46,234	-	6,586	-	(39,648)
Support services:					
Pupil.	2,861,839	3,677	533,307	-	(2,324,855)
Instructional staff	3,445,123	17,599	208,221	-	(3,219,303)
Board of education	203,364	-	174,292	-	(29,072)
Administration.	2,475,767	33,015	22,367	-	(2,420,385)
Fiscal.	614,473	-	-	-	(614,473)
Business.	142,968	-	-	-	(142,968)
Operations and maintenance	2,737,372	42,616	332,429	25,000	(2,337,327)
Pupil transportation.	1,328,588	-	42,839	-	(1,285,749)
Central	195,238	-	79,293	-	(115,945)
Operation of non-instructional services:					
Food service operations	1,527,888	808,878	628,064	-	(90,946)
Other non-instructional services	18,900	-	6,762	-	(12,138)
Extracurricular activities.	633,153	106,019	503	-	(526,631)
Interest and fiscal charges	2,124,258	-	319,377	-	(1,804,881)
Totals	\$ 38,415,909	\$ 1,722,503	\$ 3,887,152	\$ 25,000	(32,781,254)
General revenues:					
Property taxes levied for:					
General purposes					9,725,584
Debt service.					1,834,067
Permanent improvement					801,946
Payments in lieu of taxes					701,266
Grants and entitlements not restricted to specific programs					16,814,317
Grants and entitlements restricted for Ohio School Facilities Commission.					20,651,699
Investment earnings					214,329
Miscellaneous					37,186
Total general revenues					50,780,394
Change in net assets					17,999,140
Net assets at beginning of year.					10,661,547
Net assets at end of year					\$ 28,660,687

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,644,835	\$ 6,678,279	\$ 6,807,265	\$ 16,130,379
Investments	-	23,951,334	-	23,951,334
Receivables:				
Taxes	9,029,763	-	3,174,728	12,204,491
Accounts	15,414	803	2,710	18,927
Accrued interest	729	47,949	28	48,706
Intergovernmental	-	8,935,365	143,810	9,079,175
Interfund loans	168,694	-	-	168,694
Prepayments	799	-	-	799
Materials and supplies inventory	-	-	19,498	19,498
Restricted assets:				
Equity in pooled cash and cash equivalents	123,223	-	-	123,223
Total assets	<u>\$ 11,983,457</u>	<u>\$ 39,613,730</u>	<u>\$ 10,148,039</u>	<u>\$ 61,745,226</u>
Liabilities:				
Accounts payable	\$ 1,352	\$ -	\$ 18,038	\$ 19,390
Contracts payable	-	1,003,418	2,500	1,005,918
Accrued wages and benefits	3,225,790	-	202,130	3,427,920
Compensated absences payable	213,643	-	5,444	219,087
Pension obligation payable	804,322	-	76,266	880,588
Intergovernmental payable	187,779	-	6,686	194,465
Interfund loans payable	-	-	168,694	168,694
Deferred revenue	112,032	8,809,450	179,879	9,101,361
Unearned revenue	8,717,731	-	3,157,956	11,875,687
Total liabilities	<u>13,262,649</u>	<u>9,812,868</u>	<u>3,817,593</u>	<u>26,893,110</u>
Fund balances:				
Reserved for encumbrances	92,687	28,782,306	38,142	28,913,135
Reserved for BWC refunds	123,223	-	-	123,223
Reserved for materials and supplies inventory	-	-	19,498	19,498
Reserved for property tax unavailable for appropriation	200,000	-	-	200,000
Reserved for debt service	-	-	3,569,342	3,569,342
Reserved for prepayments	799	-	-	799
Unreserved, undesignated, (deficit) reported in:				
General fund	(1,695,901)	-	-	(1,695,901)
Special revenue funds	-	-	(251,688)	(251,688)
Capital projects funds	-	1,018,556	2,955,152	3,973,708
Total fund balances (deficit)	<u>(1,279,192)</u>	<u>29,800,862</u>	<u>6,330,446</u>	<u>34,852,116</u>
Total liabilities and fund balances	<u>\$ 11,983,457</u>	<u>\$ 39,613,730</u>	<u>\$ 10,148,039</u>	<u>\$ 61,745,226</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, 2010

Total governmental fund balances		\$	34,852,116
<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.			29,387,120
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	148,160	
Accrued interest receivable		47,699	
Intergovernmental receivable		8,905,502	
		8,905,502	
Total			9,101,361
Unamortized bond issuance costs are not recognized in the funds.			375,746
Unamortized deferred charges on refundings are not recognized in the funds.			639,849
Unamortized premiums on bond issuances are not recognized in the funds.			(731,083)
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		9,720,000	
General obligation capital appreciation bonds		7,474,800	
General obligation serial bonds		1,410,000	
General obligation term bonds		21,590,000	
Bond anticipation notes		3,000,000	
Capital lease obligation		212,545	
Lease purchase agreement		271,000	
Compensated absences		1,023,052	
Accrued interest payable		263,025	
		(44,964,422)	
Total			(44,964,422)
Net assets of governmental activities		\$	28,660,687

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, 2010

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 9,711,163	\$ -	\$ 2,623,036	\$ 12,334,199
Tuition	287,037	-	-	287,037
Transportation fees	2,979	-	-	2,979
Charges for services	-	-	783,064	783,064
Earnings on investments	21,141	144,756	1,737	167,634
Extracurricular	-	-	191,350	191,350
Classroom materials and fees	178,404	-	89,699	268,103
Other local revenues	79,479	5,303	203,232	288,014
Payments in lieu of taxes	701,266	-	-	701,266
Intergovernmental - state	16,377,761	11,889,948	1,711,247	29,978,956
Intergovernmental - federal	166,348	-	2,352,884	2,519,232
Total revenues	<u>27,525,578</u>	<u>12,040,007</u>	<u>7,956,249</u>	<u>47,521,834</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,644,968	-	729,997	14,374,965
Special	3,504,405	-	959,184	4,463,589
Other	46,234	-	-	46,234
Support services:				
Pupil	2,329,748	-	517,811	2,847,559
Instructional staff	2,961,965	-	437,490	3,399,455
Board of education	-	-	203,364	203,364
Administration	2,373,896	-	84,486	2,458,382
Fiscal	559,493	-	48,948	608,441
Business	142,719	-	-	142,719
Operations and maintenance	2,324,105	-	371,443	2,695,548
Pupil transportation	1,230,388	-	8,619	1,239,007
Central	115,945	-	79,293	195,238
Operation of non-instructional services:				
Food service operations	-	-	1,526,708	1,526,708
Other non-instructional services	11,643	-	7,769	19,412
Extracurricular activities	478,690	-	95,029	573,719
Facilities acquisition and construction	-	2,939,176	675,851	3,615,027
Capital outlay	245,564	-	-	245,564
Debt service:				
Principal retirement	256,678	23,000,000	4,280,000	27,536,678
Interest and fiscal charges	43,991	172,500	1,419,100	1,635,591
Bond and note issuance costs	-	81,550	262,798	344,348
Total expenditures	<u>30,270,432</u>	<u>26,193,226</u>	<u>11,707,890</u>	<u>68,171,548</u>
Excess of expenditures over revenues	<u>(2,744,854)</u>	<u>(14,153,219)</u>	<u>(3,751,641)</u>	<u>(20,649,714)</u>
Other financing sources (uses):				
Premium on bonds and notes sold	-	98,670	487,818	586,488
Sale of bonds	-	23,000,000	-	23,000,000
Sale of notes	-	21,494,626	4,505,374	26,000,000
Insurance recoveries	20,901	-	-	20,901
Capital lease transaction	245,564	-	-	245,564
Transfers in	-	-	83,774	83,774
Transfers (out)	(83,774)	-	-	(83,774)
Total other financing sources (uses)	<u>182,691</u>	<u>44,593,296</u>	<u>5,076,966</u>	<u>49,852,953</u>
Net change in fund balances	(2,562,163)	30,440,077	1,325,325	29,203,239
Fund balances (deficit) at beginning of year	1,282,971	(639,215)	5,006,199	5,649,955
Decrease in reserve for inventory	-	-	(1,078)	(1,078)
Fund balances (deficit) at end of year	<u>\$ (1,279,192)</u>	<u>\$ 29,800,862</u>	<u>\$ 6,330,446</u>	<u>\$ 34,852,116</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds \$ 29,203,239

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 (\$3,890,019) exceeded depreciation expense (\$1,553,824) in the current period. 2,336,195

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (1,078)

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

Taxes	\$	27,398	
Interest revenue		47,699	
Intergovernmental revenue		8,797,217	
Total		8,872,314	8,872,314

Repayment of bond, capital lease, and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 27,536,678

Capital lease obligation payable balance forgiven as part of the lease trade-in agreement. This reduces the long-term obligations on the statement of net assets. 69,524

The issuance of long-term debt is recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement of net assets.

Sale of notes		(26,000,000)	
Sale of bonds		(23,000,000)	
Capital lease transaction		(245,564)	
Total		(49,245,564)	(49,245,564)

Premiums on bond issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (465,618)

Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. 243,898

In the statement of activities, interest is accrued on outstanding bonds, capital leases, and lease purchases; whereas in governmental funds, interest is reported as an expenditure when due. The following items resulted in increased interest being reported in the statement of activities:

Decrease in accrued interest payable		26,701	
Accreted interest on capital appreciation bonds		(506,912)	
Amortization of bond issuance costs		(13,422)	
Amortization of bond premiums		23,522	
Amortization of deferred charge on refunding		(38,976)	
Total		(509,087)	(509,087)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use current financial resources and therefore are not reported as expenditures in governmental funds. (41,361)

Change in net assets of governmental activities \$ 17,999,140

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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Taxes	\$ 10,328,400	\$ 9,883,430	\$ 9,951,163	\$ 67,733
Tuition	297,368	285,083	287,037	1,954
Transportation fees	2,912	2,959	2,979	20
Classroom materials and fees	84,602	177,190	178,404	1,214
Earnings on investments	23,705	21,558	21,706	148
Other local revenues	78,859	60,084	65,302	5,218
Payments in lieu of taxes	701,266	701,266	701,266	-
Intergovernmental - state	17,044,188	16,346,945	16,458,975	112,030
Intergovernmental - federal	171,126	165,216	166,348	1,132
Total revenues	<u>28,732,426</u>	<u>27,643,731</u>	<u>27,833,180</u>	<u>189,449</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,329,823	13,691,683	13,691,766	(83)
Special	1,922,545	3,428,386	3,428,386	-
Other	66,043	46,234	46,234	-
Support services:				
Pupil	1,958,521	2,289,164	2,289,164	-
Instructional staff	3,387,322	2,856,227	2,856,227	-
Board of education	227,041	79,512	79,512	-
Administration	3,018,613	2,288,780	2,288,780	-
Fiscal	758,603	556,858	556,858	-
Business	201,088	139,127	139,127	-
Operations and maintenance	3,738,258	2,339,579	2,339,579	-
Pupil transportation	1,732,561	1,233,246	1,233,246	-
Central	155,461	112,315	112,315	-
Other non-instructional services	17,136	11,691	11,691	-
Extracurricular activities	651,256	475,891	475,891	-
Debt service:				
Principal retirement	50,875	33,000	33,000	-
Interest and fiscal charges	22,954	14,513	14,513	-
Total expenditures	<u>29,238,100</u>	<u>29,596,206</u>	<u>29,596,289</u>	<u>(83)</u>
Excess of expenditures over revenues	<u>(505,674)</u>	<u>(1,952,475)</u>	<u>(1,763,109)</u>	<u>189,366</u>
Other financing sources (uses):				
Insurance recoveries	20,901	20,901	20,901	-
Transfer (out)	-	(83,774)	(83,774)	-
Advances in	684,951	528,954	528,954	-
Advances (out)	(155,950)	(168,694)	(168,694)	-
Total other financing sources (uses)	<u>549,902</u>	<u>297,387</u>	<u>297,387</u>	<u>-</u>
Net change in fund balance	44,228	(1,655,088)	(1,465,722)	189,366
Fund balance at beginning of year	4,048,489	4,048,489	4,048,489	-
Prior year encumbrances appropriated	92,604	92,604	92,604	-
Fund balance at end of year	<u>\$ 4,185,321</u>	<u>\$ 2,486,005</u>	<u>\$ 2,675,371</u>	<u>\$ 189,366</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 27,595	\$ 45,341
Total assets.	<u>27,595</u>	<u>\$ 45,341</u>
Liabilities:		
Due to students.	-	\$ 45,341
Total liabilities	<u>-</u>	<u>\$ 45,341</u>
Net assets:		
Held in trust for scholarships	<u>27,595</u>	
Total net assets	<u>\$ 27,595</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 18,095
Total additions.	18,095
Deductions:	
Scholarships awarded	14,300
Change in net assets.	3,795
Net assets at beginning of year	23,800
Net assets at end of year.	\$ 27,595

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 280 certified full-time teaching and administrative personnel and 175 classified personnel, who provide services to approximately 3,512 students and other community members.

The District ranks as the 124th largest by enrollment among the 905 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 they do 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, 2010

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, 2010

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, 2010

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, 2010, but which were levied to finance fiscal year 2011 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, 2010 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, 2010

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 all financial resources except those required to be accounted for 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.

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 to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) financial resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment; (c) food service operations and (d) grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 2010 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, 2010

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 2010.
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. Short-term interfund loans 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 2010.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

During fiscal year 2010, the District had investments in U.S. government money market mutual funds, federal agency securities 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, 2010.

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 2010 amounted to \$21,141, which includes \$11,715 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 and are expensed when used. Inventories are accounted for using the consumption method on the statement of activities and the purchase method on the governmental fund statements.

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 two-thousand five hundred dollars. 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, 2010

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 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, 2010 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, 2010

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

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.A.

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, Bureau of Workers' Compensation (BWC) refunds, materials and supplies inventory, property tax unavailable for appropriation, debt service, and prepayments. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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 amount of net assets restricted for other purposes includes the amount reserved for BWC refunds.

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.

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. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set-aside for BWC refunds. See Note 17 for details.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 1,279,192
<u>Nonmajor governmental funds</u>	
Food service	254,859
IDEA part B	53,724
Title I	35,553
Improving teacher quality	44,590

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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;
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 division (1) or (2) of this section 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$565 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$9,164,185. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$250,000 of the District's bank balance of \$9,445,962 was covered by the FDIC, while \$9,195,962 was exposed to custodial risk as discussed below.

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

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

C. Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

As of June 30, 2010, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
FHLB	\$ 13,082,982	\$ -	\$ 9,573,147	\$ -	\$ 3,509,835
FHLMC	7,300,657	-	-	7,300,657	-
U.S. Government					
money market mutual funds	3,567,695	3,567,695	-	-	-
STAR Ohio	7,161,788	7,161,788	-	-	-
	<u>\$ 31,113,122</u>	<u>\$ 10,729,483</u>	<u>\$ 9,573,147</u>	<u>\$ 7,300,657</u>	<u>\$ 3,509,835</u>

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 13,082,982	42.05
FHLMC	7,300,657	23.46
U.S. Government money market mutual funds	3,567,695	11.47
STAR Ohio	<u>7,161,788</u>	<u>23.02</u>
	<u>\$ 31,113,122</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, 2010:

<u>Cash and investments per note disclosure</u>		
Carrying amount of deposits	\$ 9,164,185	
Investments	31,113,122	
Cash on hand	<u>565</u>	
Total	<u>\$ 40,277,872</u>	
 <u>Cash and investments per statement of net assets</u>		
Governmental activities	\$ 40,204,936	
Private-purpose trust fund	27,595	
Agency fund	<u>45,341</u>	
Total	<u>\$ 40,277,872</u>	

NOTE 5 - INTERFUND TRANSACTIONS

- A. At June 30, 2010, 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	\$ 168,694

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 government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** For the fiscal year ended June 30, 2010, transfers reported in the fund financial statements consisted of the following:

<u>Transfer to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 83,774

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Butler County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$200,000 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$440,000 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 tangible personal property taxes which are measurable as of June 30, 2010 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.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 344,653,440	87.66	\$ 325,330,540	87.58
Public utility personal	<u>48,515,730</u>	<u>12.34</u>	<u>46,123,980</u>	<u>12.42</u>
Total	<u>\$ 393,169,170</u>	<u>100.00</u>	<u>\$ 371,454,520</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.92		\$50.99	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 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	\$ 12,204,491
Accounts	18,927
Accrued interest	48,706
Intergovernmental	<u>9,079,175</u>
Total	<u>\$ 21,351,299</u>

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$8,935,365 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, 2010

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,380,689	\$ -	\$ -	\$ 2,380,689
Construction in progress	<u>670,576</u>	<u>3,002,838</u>	<u>-</u>	<u>3,673,414</u>
<i>Total capital assets, not being depreciated</i>	<u>3,051,265</u>	<u>3,002,838</u>	<u>-</u>	<u>6,054,103</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	561,137	544,768	-	1,105,905
Buildings and improvements	34,398,671	21,573	-	34,420,244
Equipment and furniture	3,613,832	320,840	(303,803)	3,630,869
Vehicles	<u>2,136,011</u>	<u>-</u>	<u>-</u>	<u>2,136,011</u>
<i>Total capital assets, being depreciated</i>	<u>40,709,651</u>	<u>887,181</u>	<u>(303,803)</u>	<u>41,293,029</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(175,369)	(34,904)	-	(210,273)
Buildings and improvements	(13,160,379)	(1,011,462)	-	(14,171,841)
Equipment and furniture	(2,435,264)	(420,831)	303,803	(2,552,292)
Vehicles	<u>(938,979)</u>	<u>(86,627)</u>	<u>-</u>	<u>(1,025,606)</u>
<i>Total accumulated depreciation</i>	<u>(16,709,991)</u>	<u>(1,553,824)</u>	<u>303,803</u>	<u>(17,960,012)</u>
Total capital assets, net	<u>\$ 27,050,925</u>	<u>\$ 2,336,195</u>	<u>\$ -</u>	<u>\$ 29,387,120</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,265,373
Special	28,441
<u>Support services:</u>	
Pupil	1,456
Instructional staff	57,944
Administration	20,607
Fiscal	2,493
Operations and maintenance	19,265
Pupil transportation	89,415
Other non-instructional services	940
Extracurricular activities	58,345
Food service operations	<u>9,545</u>
Total depreciation expense	<u>\$ 1,553,824</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010 was \$31,854, leaving a book value of \$238,035. Principal payments in fiscal year 2010 totaled \$53,442 paid by the general fund.

In addition to the amount of principal retired, the District also traded in leases with principal balances of \$69,524, which is included in regular instruction and administrative support services expenditures.

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, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 64,980
2012	64,980
2013	64,981
2014	<u>106,624</u>
Total minimum lease payments	301,565
Less: amount representing interest	<u>(89,020)</u>
Total	<u>\$ 212,545</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 2010 totaled \$33,000 paid by the general fund.

On December 29, 2005, the District entered into an \$814,324 lease-purchase agreement with Apple Computer, Inc. to finance the acquisition of computer equipment. 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 2010 totaled \$170,236 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, 2010

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, 2010.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 47,683
2012	46,970
2013	47,208
2014	47,345
2015	46,381
2016 - 2017	<u>92,617</u>
Total minimum lease payments	328,204
Less: amount representing interest	<u>(57,204)</u>
Total	<u>\$ 271,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2010, the following activity occurred in governmental activities long-term obligations:

	Balance 6/30/09	Increases	Decreases	Balance 6/30/10	Amount Due Within One Year
<u>Governmental activities:</u>					
<u>G.O. Bonds - Series 1999</u>					
Current interest refunding bonds	\$ 2,245,000	\$ -	\$ (715,000)	\$ 1,530,000	\$ 750,000
Capital appreciation bonds	1,848,576	-	-	1,848,576	-
Accreted interest on bonds	2,429,669	374,100	-	2,803,769	-
<u>G.O. Refunding Bonds - Series 2005</u>					
Current interest bonds	8,755,000	-	(565,000)	8,190,000	620,000
Capital appreciation bonds	2,199,979	-	-	2,199,979	-
Accreted interest on bonds	489,664	132,812	-	622,476	-
<u>G.O. Bonds - Series 2009</u>					
Serial bonds	-	1,410,000	-	1,410,000	5,000
Term bonds	-	21,590,000	-	21,590,000	-
Bond anticipation notes payable	3,000,000	26,000,000	(26,000,000)	3,000,000	-
Lease purchase agreements	474,236	-	(203,236)	271,000	34,000
Capital lease obligations	89,947	245,564	(122,966)	212,545	48,968
Compensated absences	1,084,906	496,537	(339,304)	1,242,139	384,315
Total	<u>\$ 22,616,977</u>	<u>\$ 50,249,013</u>	<u>\$ (27,945,506)</u>	44,920,484	<u>\$ 1,842,283</u>
Unamortized premium on refunding bonds				731,083	
Unamortized deferred charges on refunding bonds				<u>(639,849)</u>	
Total long-term liabilities on statement of net assets				<u>\$ 45,011,718</u>	

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 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, 2010

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, 2010 is \$4,652,345. Total accreted interest of \$2,803,769 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 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, 2010 is \$2,822,455. Total accreted interest of \$622,476 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 rate 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 2010 was \$6,929. 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 2010 was \$5,018.

As of fiscal year end, \$23,394,284 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, 2010

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>
2010	\$ 5,000
2011	5,000
2012	15,000
2013	5,000
2014	35,000
2015	110,000
2016	5,000
2017	5,000
2018	50,000

The term bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, 2020, and each December 1 thereafter (with the balance of \$460,000 to be paid at stated maturity on December 1, 2020), at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year (December 1)</u>	<u>Amount</u>
2020	\$ 265,000
2021	365,000
2022	390,000
2023	365,000

The term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption. The mandatory redemption is to occur on December 1, 2026, and each December 1 thereafter (with the balance of \$1,240,000 to be paid at stated maturity on December 1, 2029), at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year (December 1)</u>	<u>Amount</u>
2025	\$ 855,000
2026	845,000
2027	1,085,000
2028	1,160,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 Payable: On June 10, 2009, the District issued \$3,000,000 in School Improvement Unlimited Tax General Obligation Bond Anticipation Notes to finance various District building projects. The notes matured on December 1, 2009, with an interest rate of 2.50%.

On July 19, 2009, the District issued \$23,000,000 in School Improvement Unlimited Tax General Obligation Bond Anticipation Notes in anticipation of the issuance of bonds for the purpose of constructing, renovating and improving facilities. The notes bear an accrued interest rate of 2.00% and matured December 1, 2009. During the current fiscal year, the notes were retired using the proceeds from the bond issuance.

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

These notes are considered long-term in accordance with GASB Statement No. 34 and are for capital acquisition and construction. The notes outstanding at June 30, 2010, will be retired with proceeds of notes issued on November 30, 2010 (see Note 18 for detail.)

Lease Purchase Agreements: See Note 10 for details.

Capital Lease Obligations: See Note 9 for details.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	<u>General Obligation Bonds - Series 1999</u>					
	<u>Current Interest Refunding Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 750,000	\$ 677,433	\$ 1,427,433	\$ -	\$ -	\$ -
2012	780,000	608,663	1,388,663	-	-	-
2013	-	-	-	538,070	1,086,930	1,625,000
2014	-	-	-	478,838	1,146,162	1,625,000
2015	-	-	-	440,180	1,184,820	1,625,000
2016	-	-	-	391,488	1,218,512	1,610,000
Total	<u>\$ 1,530,000</u>	<u>\$ 1,286,096</u>	<u>\$ 2,816,096</u>	<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>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 620,000	\$ 373,447	\$ 993,447	\$ -	\$ -	\$ -
2012	680,000	351,778	1,031,778	-	-	-
2013	-	326,278	326,278	-	-	-
2014	50,000	326,278	376,278	-	-	-
2015	50,000	324,403	374,403	-	-	-
2016 - 2020	2,895,000	1,459,513	4,354,513	2,199,979	1,755,021	3,955,000
2021 - 2025	3,395,000	640,560	4,035,560	-	-	-
2026	500,000	22,500	522,500	-	-	-
Total	<u>\$ 8,190,000</u>	<u>\$ 3,824,757</u>	<u>\$ 12,014,757</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>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,000	\$ 1,737,886	\$ 1,742,886
2012	5,000	1,650,493	1,655,493
2013	15,000	1,650,223	1,665,223
2014	5,000	1,649,413	1,654,413
2015	35,000	1,649,143	1,684,143
2016 - 2020	435,000	8,208,455	8,643,455
2021 - 2025	1,845,000	7,908,439	9,753,439
2026 - 2030	5,185,000	6,892,376	12,077,376
2031 - 2035	8,640,000	4,653,675	13,293,675
2036 - 2038	6,830,000	1,008,000	7,838,000
Total	<u>\$ 23,000,000</u>	<u>\$ 37,008,103</u>	<u>\$ 60,008,103</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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, 2010 are a legal voted debt margin of \$23,207,990 (including available funds of \$3,569,342), and a legal unvoted debt margin of \$371,191.

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 2010, 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 2009.

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.

B. Workers' Compensation

As a penalty-rated organization, the District is not eligible for group rating due to the fact that the total claims cost, including compensation, medical costs and reserves, exceeded the established amount of the District's expected losses set by the Ohio Bureau of Workers' Compensation (BWC). However, the District does see the need to become proactive in the management of claims in order to decrease the financial impact of claims on the District's premiums. With the assistance of the BWC and Sheakley UniService, which serves as both the Managed Care Organization and the Third Party Administrator, the District strives to implement workplace safety solutions and cost-saving strategies in order to be able to participate once again in the Group Rating Program.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. 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 to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$606,416, \$427,193 and \$409,135, respectively; 48.44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - PENSION PLANS - (Continued)

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 2010, 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, 2010, 2009 and 2008 were \$2,117,459, \$2,066,198 and \$1,918,574, respectively; 82.40 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$73,800 made by the District and \$52,715 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, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2010, 0.46 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 2010, 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, 2010, 2009, and 2008 were \$92,609, \$262,033 and \$253,231, respectively; 48.44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$36,062, \$35,247 and \$29,479, respectively; 48.44 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 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 2010, 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, 2010, 2009, and 2008 were \$162,881, \$158,938 and \$147,583, respectively; 82.40 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,465,722)
Net adjustment for revenue accruals	(307,602)
Net adjustment for expenditure accruals	(766,830)
Net adjustment for other financing sources/uses	(114,696)
Adjustment for encumbrances	92,687
GAAP basis	<u>\$ (2,562,163)</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

The District has lawsuits outstanding, but management does not believe that potential losses, if any, will be material to the financial statements.

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2009	\$ (1,116,964)	\$ (14,147,278)	\$ 123,223
Current year set-aside requirement	568,256	568,256	-
Current year off-sets	-	(801,454)	-
Current year qualifying expenditures	<u>(367,799)</u>	<u>(33,353)</u>	<u>-</u>
Set-aside balance as of June 30, 2010	<u>\$ (916,507)</u>	<u>\$ (14,413,829)</u>	<u>\$ 123,223</u>
Balance carried forward to fiscal year 2011	<u>\$ (916,507)</u>	<u>\$ (13,579,022)</u>	<u>\$ 123,223</u>

The District had qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

The negative carry over for capital acquisition from the previous fiscal year is a result of debt proceeds for the construction and renovation of school buildings. The resulting negative balance may be carried forward to reduce the requirements for qualifying disbursements in future years.

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

Amount restricted for BWC refunds	
Total restricted assets	<u>\$ 123,223</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 18 - SUBSEQUENT EVENTS

Bond Anticipation Notes

On November 30, 2010, the District issued \$2,990,000 in bond anticipation notes at an interest rate of 1.50% due November 29, 2011.

Substitute Levy

The District was successful with passing the Substitute Levy on November 2, 2010. Collections will begin in January 2011. As a result, several teachers and classified employees were recalled on an as needed basis. The District does not anticipate having to go back on the ballot until 2012 or 2013.

NOTE 19 - CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding at June 30, 2010, related to their OSFC construction project.

<u>Contractor</u>	<u>Original Contract</u>	<u>Amount Paid</u>	<u>Remaining Contract</u>
Artic Heating and A/C	\$ 3,269,000	\$ -	\$ 3,269,000
Evans Landscaping, Inc.	246,560	-	246,560
Farnham Equipment Co.	819,000	-	819,000
Jackson and Sons Drilling	1,240,000	-	1,240,000
Ken Neyer Plumbing, Inc.	1,110,000	-	1,110,000
Miter Masonry Contractors, Inc.	3,914,000	-	3,914,000
MW Metals, Inc.	1,424,600	-	1,424,600
Reddy Electric Co.	3,295,800	-	3,295,800
Stafford-Smith, Inc.	332,075	-	332,075
Tricon, Inc.	11,770,000	768,797	11,001,203
SHP Leading Design	1,723,233	1,133,313	589,920
Quandel Group, Inc.	2,179,937	531,427	1,648,510
	<u>\$ 31,324,205</u>	<u>\$ 2,433,537</u>	<u>\$ 28,890,668</u>

EDGEWOOD CITY SCHOOL DISTRICT
Butler County

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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	\$ 68,565	\$ 68,565
School Breakfast Program	05-PU	10.553	103,113	103,113
National School Lunch Program	LLP4	10.555	433,979	433,979
Child Nutrition Cluster Total			<u>537,092</u>	<u>537,092</u>
ARRA - Child Nutrition Discretionary Grants Limited Availability	N/A	10.579	11,505	11,505
Child and Adult Care Food Program	CCMO	10.558	2,307	2,307
Total United States Department of Agriculture			<u>619,469</u>	<u>619,469</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	276,736	370,853
ARRA - Title I Grants to Local Educational Agencies	N/A	84.389	83,872	95,117
Title I Part A Cluster Total			<u>360,608</u>	<u>465,970</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States	6BSF	84.027	687,959	687,959
ARRA - Special Education - Grants to States	N/A	84.391	360,684	349,198
Special Education - Preschool Grants	PGS1	84.173	3,996	3,996
ARRA - Special Education - Preschool Grants	N/A	84.392	15,080	10,813
Special Education Cluster Total			<u>1,067,719</u>	<u>1,051,966</u>
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	8,580	7,787
Education Technology State Grants	TJS1	84.318	2,933	2,933
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants - Recovery Act	N/A	84.394	927,927	927,927
Improving Teacher Quality State Grants	TRS1	84.367	19,967	53,088
Total United States Department of Education			<u>2,387,734</u>	<u>2,509,671</u>
U.S. Department of Health and Human Services				
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>				
Community Alternative Funding System (CAFS)	N/A	93.778	105,005	105,005
Total U.S. Department of Health and Human Services			<u>105,005</u>	<u>105,005</u>
Total Federal Awards			<u>\$ 3,112,208</u>	<u>\$ 3,234,145</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, 2010**

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
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgewood City School District, Butler County as of and for the year ended June 30, 2010, which collectively comprise Edgewood City School District's basic financial statements and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of Edgewood City School District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

Board of Education
Edgewood City School District

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

We did note a certain matter not requiring inclusion in this report that we reported to Edgewood City School District's management in a separate letter dated January 31, 2011.

We intend this report solely for the information and use of management, Board of Education, and federal awarding agencies 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's

Caudill & Associates, CPA's
January 31, 2011



Caudill & Associates, CPAs

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

Edgewood City School District
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

Compliance

We have audited the compliance of Edgewood City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies Edgewood City School District's major federal programs. Edgewood City School 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 Edgewood City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 Edgewood City School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Edgewood City School District's compliance with those requirements.

In our opinion, the Edgewood City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Edgewood City School 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 Edgewood City School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on 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 Edgewood City School 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 (Continued)

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, pass-through entities and others within the Edgewood City School District. It is not intended for anyone other than these specified parties.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
January 31, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2010**

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)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiency(ies) in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<i>Title I, Part A Cluster:</i> Title 1 Grants to Local Educational Agencies CFDA # 84.010, ARRA – Title I Grants to Local Educational Agencies CFDA # 84.389 <i>Special Education Cluster:</i> Special Education Grant to States CFDA #84.027, ARRA – Special Education Grants to States CFDA #84.391, Special Education – Preschool Grants, CFDA #84.173, ARRA – Special Education – Preschool Grants, CFDA #84.392 ARRA - State Fiscal Stabilization Fund (SFSF), CFDA #84.394

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	Major Programs (list) (Continued):	Community Alternative Funding System (CAFS), CFDA #93.778
<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

**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, 2010**

No prior year findings noted.



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
MARCH 31, 2011**