

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

GREGORY SCIOLA, TREASURER



Dave Yost • Auditor of State

Board of Education
Joseph Badger Local School District
7119 State Route 7
Kinsman, Ohio 44428

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 2, 2011

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**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Joseph Badger Local School District
Trumbull County
7119 State Route 7
Kinsman, Ohio 44428

To the Members of the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Joseph Badger Local School District, Trumbull County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Joseph Badger Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Joseph Badger Local 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Joseph Badger Local School District, Trumbull County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the general fund for the 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 September 30, 2011, on our consideration of the Joseph Badger Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Joseph Badger Local School District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
September 30, 2011

Joseph Badger Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

The discussion and analysis of Joseph Badger Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- ❑ Net assets of governmental activities decreased in fiscal year 2011 from annual depreciation of capital assets offset by the continued principal payments on outstanding debt obligations.
- ❑ Governmental activities reflected an overall decrease in revenues over fiscal year 2010 from a decrease in property taxes combined with less grant revenue being received.
- ❑ Total program expenses for fiscal year 2011 were slightly greater than the previous fiscal year, largely due to increases in operation and maintenance within the School District.

Using this Annual Financial Report

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 Joseph Badger Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Joseph Badger Local School District, the general fund and the bond retirement debt service fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Joseph Badger Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

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

In the Statement of Net Assets and the Statement of Activities, the School District's activities are classified as governmental and business-type. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services and extracurricular activities.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal 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 statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds The Board of Education charges students a fee for school lunches. The money collected locally combined with State and Federal reimbursements, is intended to defray all expenses necessary to operate the food service program. Each month the Board reviews food service fund projections to judge how much negative impact will be placed on the general fund. The School District also added a preschool program during fiscal year 2009 where tuition is paid for children to attend. Additionally, the School District operates a dental fund designed to defray unforeseen healthcare expenses. It is the School District's belief that these funds provide additional stability to the five year forecast. Proprietary funds utilize the same form of accounting as business-type activities, therefore these statements match those found in the district-wide statements.

The School District as a Trustee

The School District is a trustee or fiduciary for two funds. One of these funds holds and invests the principal amount and provides the earnings in the form of a scholarship for graduating seniors. The other fund accounts for money collected for student activities. There is no School District related activity occurring within these funds.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010:

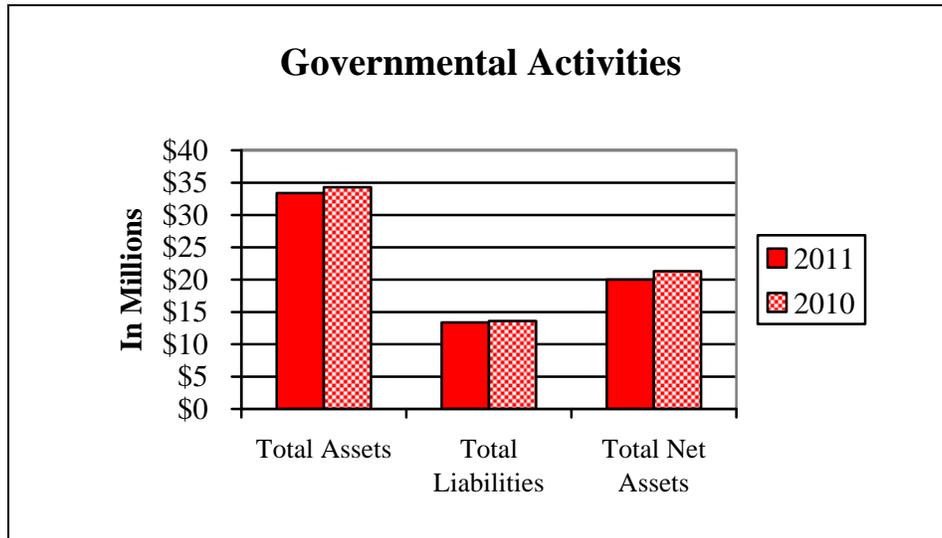
Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$7,540,679	\$7,420,953	\$55,610	\$50,676	\$7,596,289	\$7,471,629
Capital Assets, Net	25,858,868	26,938,685	184,790	199,283	26,043,658	27,137,968
<i>Total Assets</i>	<u>33,399,547</u>	<u>34,359,638</u>	<u>240,400</u>	<u>249,959</u>	<u>33,639,947</u>	<u>34,609,597</u>
Liabilities						
Current and Other Liabilities	4,485,084	4,369,662	23,910	29,597	4,508,994	4,399,259
Long-Term Liabilities:						
Due Within One Year	656,092	658,429	6,595	4,558	662,687	662,987
Due in More Than One Year	8,266,504	8,617,263	2,305	5,408	8,268,809	8,622,671
<i>Total Liabilities</i>	<u>13,407,680</u>	<u>13,645,354</u>	<u>32,810</u>	<u>39,563</u>	<u>13,440,490</u>	<u>13,684,917</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	18,007,736	18,772,263	184,790	199,283	18,192,526	18,971,546
Restricted for:						
Capital Projects	491,603	545,926	0	0	491,603	545,926
Debt Service	73,565	45,409	0	0	73,565	45,409
Set Asides	219,754	164,341	0	0	219,754	164,341
Other Purposes	61,132	114,525	0	0	61,132	114,525
Unrestricted	1,138,077	1,071,820	22,800	11,113	1,160,877	1,082,933
<i>Total Net Assets</i>	<u>\$19,991,867</u>	<u>\$20,714,284</u>	<u>\$207,590</u>	<u>\$210,396</u>	<u>\$20,199,457</u>	<u>\$20,924,680</u>

Graph 1
Net Assets
(In Millions)

	2011	2010
Total Assets	\$33.4	\$34.3
Total Liabilities	13.4	13.6
Total Net Assets	<u>\$20.0</u>	<u>\$20.7</u>

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited



Total assets for the School District decreased from annual depreciation in capital assets offset by an increase in operating grants and contributions and miscellaneous revenues.

Total liabilities decreased over the prior fiscal year from decreases in contracts and the continued pay down of debt.

The vast majority of revenue supporting all activities is general revenue. The most significant portion of the general revenue is the grants and entitlements not restricted to specific programs. Joseph Badger proactively seeks out federal and State funding sources in the forms of grants to ensure that programs of the School District are properly funded. The remaining source of revenue lies in program revenues which are restricted in use to a specific program.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal years 2011 and 2010.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2

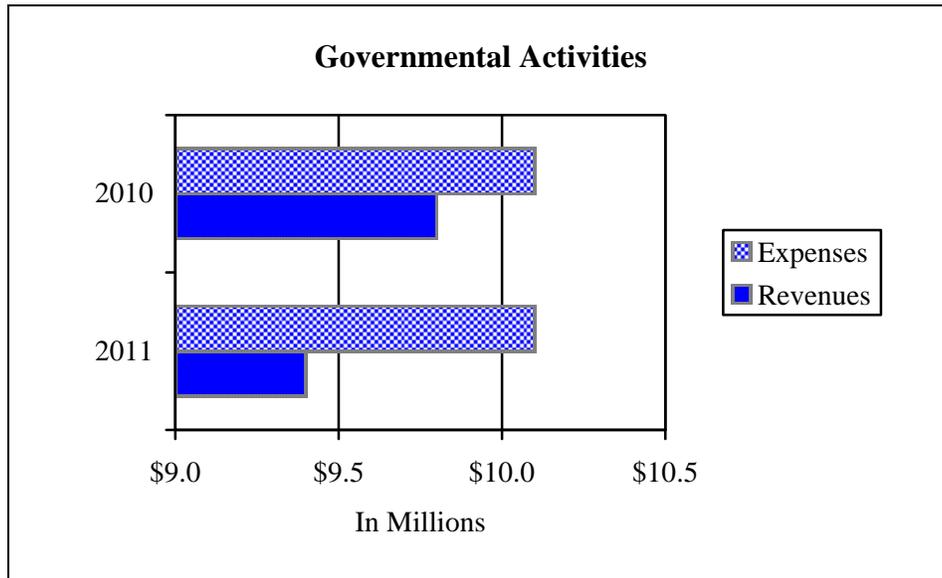
Program Revenues and Expenses

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues						
Charges for Services and Sales	\$326,450	\$462,453	\$205,182	\$198,760	\$531,632	\$661,213
Operating Grants and Contributions	916,129	868,199	205,411	216,224	1,121,540	1,084,423
Capital Grants and Contributions	8,919	18,413	0	0	8,919	18,413
<i>Total Program Revenues</i>	<u>1,251,498</u>	<u>1,349,065</u>	<u>410,593</u>	<u>414,984</u>	<u>1,662,091</u>	<u>1,764,049</u>
General revenues						
Property Taxes	3,387,878	3,462,202	0	0	3,387,878	3,462,202
Grants and Entitlements not Restricted to Specific Programs	4,704,469	4,888,212	0	0	4,704,469	4,888,212
Investment Earnings	9,415	8,026	0	0	9,415	8,026
Miscellaneous	68,812	50,695	0	0	68,812	50,695
<i>Total General Revenues</i>	<u>8,170,574</u>	<u>8,409,135</u>	<u>0</u>	<u>0</u>	<u>8,170,574</u>	<u>8,409,135</u>
<i>Total Revenues</i>	<u>9,422,072</u>	<u>9,758,200</u>	<u>410,593</u>	<u>414,984</u>	<u>9,832,665</u>	<u>10,173,184</u>
Program Expenses						
Instruction:						
Regular	5,000,184	4,961,442	0	0	5,000,184	4,961,442
Special	659,239	678,273	0	0	659,239	678,273
Vocational	72,572	80,198	0	0	72,572	80,198
Student Intervention Services	53,835	53,257	0	0	53,835	53,257
Support Services:						
Pupil	373,496	349,973	0	0	373,496	349,973
Instructional Staff	81,904	97,555	0	0	81,904	97,555
Board of Education	84,813	145,313	0	0	84,813	145,313
Administration	687,770	668,694	0	0	687,770	668,694
Fiscal	333,426	307,843	0	0	333,426	307,843
Operation and Maintenance of Plant	801,559	701,994	0	0	801,559	701,994
Pupil Transportation	797,995	790,014	0	0	797,995	790,014
Central	148,387	150,664	0	0	148,387	150,664
Operation of Non-Instructional Services	458,094	512,562	0	0	458,094	512,562
Extracurricular Activities	273,269	280,430	0	0	273,269	280,430
Interest and Fiscal Charges	317,946	324,241	0	0	317,946	324,241
Food Service	0	0	383,974	379,274	383,974	379,274
Pre-Kindergarten	0	0	29,425	26,325	29,425	26,325
<i>Total Program Expenses</i>	<u>10,144,489</u>	<u>10,102,453</u>	<u>413,399</u>	<u>405,599</u>	<u>10,557,888</u>	<u>10,508,052</u>
<i>Change in Net Assets</i>	<u>(722,417)</u>	<u>(344,253)</u>	<u>(2,806)</u>	<u>9,385</u>	<u>(725,223)</u>	<u>(334,868)</u>
<i>Net Assets Beginning of Year</i>	<u>20,714,284</u>	<u>21,058,537</u>	<u>210,396</u>	<u>201,011</u>	<u>20,924,680</u>	<u>21,259,548</u>
<i>Net Assets End of Year</i>	<u>\$19,991,867</u>	<u>\$20,714,284</u>	<u>\$207,590</u>	<u>\$210,396</u>	<u>\$20,199,457</u>	<u>\$20,924,680</u>

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Graph 2
Revenues and Expenses
(In Millions)

	2011	2010
Revenues	\$9.4	\$9.8
Expenses	10.1	10.1



Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Joseph Badger Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salary and benefits which increase at set levels every year through negotiated agreements.

Interest and fiscal charges decreased over the prior fiscal year which is the result of the School District's continued payments on outstanding debt obligations approved by the residents of the School District to fund capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$5,785,830	\$4,797,626	\$5,773,170	\$4,786,777
Support Services:				
Pupil and Instructional Staff	455,400	435,575	447,528	422,032
Board of Education, Administration, and Fiscal	1,106,009	1,068,418	1,121,850	1,069,263
Operation and Maintenance of Plant	801,559	739,659	701,994	623,580
Pupil Transportation	797,995	775,581	790,014	756,355
Central	148,387	132,485	150,664	133,173
Operation of Non-Instructional Services	458,094	428,015	512,562	471,985
Extracurricular Activities	273,269	197,686	280,430	165,982
Interest and Fiscal Charges	317,946	317,946	324,241	324,241
<i>Total</i>	<u>\$10,144,489</u>	<u>\$8,892,991</u>	<u>\$10,102,453</u>	<u>\$8,753,388</u>

The dependence upon general revenues for governmental activities is apparent as they account for 80.54 percent of the total cost of services in fiscal year 2011. This amount was 83.24 percent in 2010. The community, as a whole, is by far the primary support for Joseph Badger Local School District students.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The School District's Funds

Information about the School District's major funds begins on page 18. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due mainly to an increase in extracurricular and miscellaneous revenues. The bond retirement fund also had an increase in fund balance due to the continuation of receiving property tax and grant revenues which are partially offset by the continuation of the payment of debt obligations.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District amended its general fund by a small percentage. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, the final budget basis revenue was lower than the original budget estimate. The change was attributed to decreases in estimates for all revenues due to the overall poor economy. The School District's unencumbered ending cash balance totaled \$2,361,108.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal 2011 balances compared to fiscal 2010:

Table 4
 Capital Assets at June 30
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$528,682	\$528,682	\$0	\$0	\$528,682	\$528,682
Land Improvements	3,304,500	3,517,057	0	0	3,304,500	3,517,057
Buildings and Improvements	20,659,261	21,419,422	0	0	20,659,261	21,419,422
Furniture and Equipment	884,376	961,100	184,790	199,283	1,069,166	1,160,383
Vehicles	409,191	420,322	0	0	409,191	420,322
Textbooks	72,858	92,102	0	0	72,858	92,102
<i>Total Capital Assets</i>	<u>\$25,858,868</u>	<u>\$26,938,685</u>	<u>\$184,790</u>	<u>\$199,283</u>	<u>\$26,043,658</u>	<u>\$27,137,968</u>

For fiscal year 2011, capital assets decreased due to depreciation exceeding additions of scoreboards, a saber scrubber and a 2012 Bluebird bus to capital assets. See Note 9 to the basic financial statements for detail on the School District's capital assets.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Debt

At June 30, 2011 the School District had general obligation bonds outstanding. Table 5 summarizes the outstanding debt.

Table 5
Outstanding Debt at Fiscal Year End
Governmental Activities

	2011	2010
2006 New School Construction		
Serial Bonds	\$3,250,000	\$3,560,000
Capital Appreciation Bonds	99,993	99,993
Accretion on Capital Appreciation Bonds	55,641	43,316
Term Bonds	4,605,000	4,605,000
Unamortized Premium	273,101	286,756
Capital Leases	0	10,483
<i>Total</i>	\$8,283,735	\$8,605,548

The School District's overall legal debt margin increased to \$2.24 million. See Note 15 to the basic financial statements for detail on the School District's long-term obligations.

School District Outlook

The State of Ohio continues to place pressure on the resources of local districts through funding cuts. Moving to a single new building resulted in operational efficiencies that offset future revenue cuts from the State.

The School District is determined to do all that it can to remain solvent and to avoid passing a new levy that would defy Supreme Court orders to reduce dependency on property tax. The School District currently has two emergency levies. This levy position is precarious because these levies require voter approval at the end of their five year life and also because the dollar amount is fixed and does not compensate for inflation. The Board has discussed several alternative tax strategies.

We are dependent on outside factors for our future success. The Ohio School Funding Formula provides most of the revenue for Joseph Badger Local Schools. While a substantial increase in the State's financial efforts would be justified and welcomed, our five year forecasts do not take this possibility into account.

The health care insurance consortium to which Joseph Badger belongs has a reasonable cash balance. Health care costs containment has become a large issue for the future. Management negotiated a contract that will require employee contributions, increased office co-pays, increased drug co-pays and higher deductibles. Additionally, employees were required to have their spouses take single coverage if they were eligible at a reasonable cost of below \$100 per month. This ensures that the claims of spouses stay with the responsible employer.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Joseph Badger Local School District has ten teachers approaching retirement. Often if a senior teacher retires, they are replaced at a much lower cost. This will have a positive effect on School District finances.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Gregory Sciola, Treasurer at Joseph Badger Local School District, 7110 St. Rt. 7, Kinsman, Ohio 44428 or call (330) 876-2812 or e-mail Gregory.Sciola@Neomin.org.

Basic Financial Statements

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Joseph Badger Local School District*Statement of Net Assets**June 30, 2011*

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,302,970	\$51,620	\$3,354,590
Accounts Receivable	175	3,990	4,165
Intergovernmental Receivable	85,579	0	85,579
Accrued Interest Receivable	3,462	0	3,462
Property Taxes Receivable	4,044,632	0	4,044,632
Deferred Charges	103,861	0	103,861
Nondepreciable Capital Assets	528,682	0	528,682
Depreciable Capital Assets, Net	25,330,186	184,790	25,514,976
<i>Total Assets</i>	<u>33,399,547</u>	<u>240,400</u>	<u>33,639,947</u>
Liabilities			
Accounts Payable	27,269	0	27,269
Contracts Payable	25,723	0	25,723
Accrued Wages and Benefits	637,163	19,201	656,364
Matured Compensated Absences Payable	58,756	1,175	59,931
Intergovernmental Payable	107,768	3,534	111,302
Deferred Revenue	3,597,056	0	3,597,056
Accrued Interest Payable	25,855	0	25,855
Claims Payable	5,494	0	5,494
Long-Term Liabilities:			
Due Within One Year	656,092	6,595	662,687
Due In More Than One Year	8,266,504	2,305	8,268,809
<i>Total Liabilities</i>	<u>13,407,680</u>	<u>32,810</u>	<u>13,440,490</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	18,007,736	184,790	18,192,526
Restricted for:			
Capital Projects	491,603	0	491,603
Debt Service	73,565	0	73,565
Set Asides	219,754	0	219,754
Other Purposes	61,132	0	61,132
Unrestricted	1,138,077	22,800	1,160,877
<i>Total Net Assets</i>	<u>\$19,991,867</u>	<u>\$207,590</u>	<u>\$20,199,457</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$5,000,184	\$124,713	\$372,911	\$0
Special	659,239	12,848	473,272	0
Vocational	72,572	2,556	0	0
Student Intervention Services	53,835	1,904	0	0
Support Services:				
Pupil	373,496	12,830	0	0
Instructional Staff	81,904	2,645	4,350	0
Board of Education	84,813	2,371	0	0
Administration	687,770	23,839	0	0
Fiscal	333,426	11,381	0	0
Operation and Maintenance of Plant	801,559	25,217	27,764	8,919
Pupil Transportation	797,995	22,414	0	0
Central	148,387	4,077	11,825	0
Operation of Non-Instructional Services	458,094	15,683	14,396	0
Extracurricular Activities	273,269	63,972	11,611	0
Interest and Fiscal Charges	317,946	0	0	0
<i>Total Governmental Activities</i>	<u>10,144,489</u>	<u>326,450</u>	<u>916,129</u>	<u>8,919</u>
Business-Type Activities				
Food Service	383,974	175,757	205,411	0
Pre-Kindergarten	29,425	29,425	0	0
<i>Total Business-Type Activities</i>	<u>413,399</u>	<u>205,182</u>	<u>205,411</u>	<u>0</u>
<i>Totals</i>	<u>\$10,557,888</u>	<u>\$531,632</u>	<u>\$1,121,540</u>	<u>\$8,919</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$4,502,560)	\$0	(\$4,502,560)
(173,119)	0	(173,119)
(70,016)	0	(70,016)
(51,931)	0	(51,931)
(360,666)	0	(360,666)
(74,909)	0	(74,909)
(82,442)	0	(82,442)
(663,931)	0	(663,931)
(322,045)	0	(322,045)
(739,659)	0	(739,659)
(775,581)	0	(775,581)
(132,485)	0	(132,485)
(428,015)	0	(428,015)
(197,686)	0	(197,686)
(317,946)	0	(317,946)
(8,892,991)	0	(8,892,991)
0	(2,806)	(2,806)
0	0	0
0	(2,806)	(2,806)
(8,892,991)	(2,806)	(8,895,797)
2,791,730	0	2,791,730
552,867	0	552,867
43,281	0	43,281
4,704,469	0	4,704,469
9,415	0	9,415
68,812	0	68,812
8,170,574	0	8,170,574
(722,417)	(2,806)	(725,223)
20,714,284	210,396	20,924,680
\$19,991,867	\$207,590	\$20,199,457

Joseph Badger Local School District*Balance Sheet**Governmental Funds**June 30, 2011*

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,144,791	\$303,402	\$576,656	\$3,024,849
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	222,404	0	0	222,404
Property Taxes Receivable	3,359,902	624,408	60,322	4,044,632
Accounts Receivable	175	0	0	175
Accrued Interest Receivable	3,462	0	0	3,462
Intergovernmental Receivable	4,011	0	81,568	85,579
Interfund Receivable	81,568	0	0	81,568
<i>Total Assets</i>	<u>\$5,816,313</u>	<u>\$927,810</u>	<u>\$718,546</u>	<u>\$7,462,669</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$23,628	\$0	\$3,641	\$27,269
Contracts Payable	0	0	25,723	25,723
Accrued Wages and Benefits	637,163	0	0	637,163
Interfund Payable	0	0	81,568	81,568
Intergovernmental Payable	106,537	0	1,231	107,768
Matured Compensated Absences Payable	58,756	0	0	58,756
Deferred Revenue	3,345,113	621,658	60,057	4,026,828
<i>Total Liabilities</i>	<u>4,171,197</u>	<u>621,658</u>	<u>172,220</u>	<u>4,965,075</u>
Fund Balances				
Restricted	222,404	306,152	547,557	1,076,113
Assigned	22,463	0	0	22,463
Unassigned (Deficit)	1,400,249	0	(1,231)	1,399,018
<i>Total Fund Balances</i>	<u>1,645,116</u>	<u>306,152</u>	<u>546,326</u>	<u>2,497,594</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,816,313</u>	<u>\$927,810</u>	<u>\$718,546</u>	<u>\$7,462,669</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2011

Total Governmental Fund Balances	\$2,497,594
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,858,868
Other long-term assets, such as property taxes, are not available to pay for current-period expenditures and therefore are deferred in the funds.	429,772
An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	50,223
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued.	103,861
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(25,855)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(638,861)
General Obligation Bonds	<u>(8,283,735)</u>
Total	<u>(8,922,596)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$19,991,867</u></u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,749,820	\$545,717	\$42,505	\$3,338,042
Intergovernmental	4,581,420	123,049	947,916	5,652,385
Interest	9,407	0	8	9,415
Tuition and Fees	256,825	0	0	256,825
Extracurricular Activities	18,262	0	39,571	57,833
Contributions and Donations	4,728	0	11,611	16,339
Charges for Services	11,792	0	0	11,792
Miscellaneous	68,812	0	0	68,812
<i>Total Revenues</i>	<u>7,701,066</u>	<u>668,766</u>	<u>1,041,611</u>	<u>9,411,443</u>
Expenditures				
Current:				
Instruction:				
Regular	3,551,515	0	464,314	4,015,829
Special	360,033	0	295,270	655,303
Vocational	71,338	0	0	71,338
Student Intervention Services	53,835	0	0	53,835
Support Services:				
Pupil	364,230	0	10,800	375,030
Instructional Staff	89,013	0	4,850	93,863
Board of Education	84,813	0	0	84,813
Administration	670,445	0	11,900	682,345
Fiscal	319,865	10,680	833	331,378
Operation and Maintenance of Plant	713,014	0	72,308	785,322
Pupil Transportation	632,541	0	76,615	709,156
Central	115,270	0	11,825	127,095
Operation of Non-Instructional Services	443,367	0	14,727	458,094
Extracurricular Activities	190,537	0	52,382	242,919
Capital Outlay	700	0	63,303	64,003
Debt Service:				
Principal Retirement	10,483	310,000	0	320,483
Interest and Fiscal Charges	460	314,295	0	314,755
<i>Total Expenditures</i>	<u>7,671,459</u>	<u>634,975</u>	<u>1,079,127</u>	<u>9,385,561</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>29,607</u>	<u>33,791</u>	<u>(37,516)</u>	<u>25,882</u>
Other Financing Sources (Uses)				
Transfers In	0	0	1,914	1,914
Transfers Out	(1,914)	0	0	(1,914)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,914)</u>	<u>0</u>	<u>1,914</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	27,693	33,791	(35,602)	25,882
<i>Fund Balances Beginning of Year (Restated - see Note 3)</i>	<u>1,617,423</u>	<u>272,361</u>	<u>581,928</u>	<u>2,471,712</u>
<i>Fund Balances End of Year</i>	<u>\$1,645,116</u>	<u>\$306,152</u>	<u>\$546,326</u>	<u>\$2,497,594</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds \$25,882

*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 depreciation exceeded capital outlay in the current period.

Capital Outlay	109,586
Depreciation	<u>(1,189,403)</u>

Total	(1,079,817)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	49,836
Intergovernmental	<u>(39,207)</u>

Total	10,629
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 320,483

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	672
Amortization of Issuance Costs	(5,193)
Amortization of Premium on Bonds	13,655
Bond Accretion	<u>(12,325)</u>

Total	(3,191)
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 31,283

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (27,686)

Change in Net Assets of Governmental Activities (\$722,417)

See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$2,945,304	\$2,782,318	\$2,782,318	\$0
Intergovernmental	4,852,555	4,584,027	4,584,027	0
Interest	7,710	7,283	7,283	0
Tuition and Fees	271,869	256,825	256,825	0
Contributions and Donations	5,005	4,728	4,728	0
Extracurricular Activities	17,300	18,262	18,262	0
Charges for Services	12,482	11,792	11,792	0
Miscellaneous	200	68,637	68,637	0
<i>Total Revenues</i>	<u>8,112,425</u>	<u>7,733,872</u>	<u>7,733,872</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	3,512,424	3,493,246	3,493,246	0
Special	372,873	359,301	359,301	0
Vocational	76,010	71,169	71,169	0
Student Intervention Services	27,260	53,835	53,835	0
Support Services:				
Pupil	261,910	360,858	360,858	0
Instructional Staff	90,500	88,905	88,905	0
Board of Education	124,070	83,895	83,895	0
Administration	690,872	671,573	671,573	0
Fiscal	337,282	329,676	329,676	0
Operation and Maintenance of Plant	635,677	702,778	702,778	0
Pupil Transportation	686,417	626,998	626,998	0
Central	120,430	116,858	116,858	0
Operation of Non-Instructional Services	500,500	443,367	443,367	0
Extracurricular Activities	173,100	191,960	191,960	0
Capital Outlay	25,000	700	700	0
<i>Total Expenditures</i>	<u>7,634,325</u>	<u>7,595,119</u>	<u>7,595,119</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>478,100</u>	<u>138,753</u>	<u>138,753</u>	<u>0</u>
Other Financing Sources (Uses)				
Advances In	0	9,123	9,123	0
Advances Out	0	(81,568)	(81,568)	0
Transfers Out	0	(1,914)	(1,914)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(74,359)</u>	<u>(74,359)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	478,100	64,394	64,394	0
<i>Fund Balance Beginning of Year</i>	2,294,072	2,294,072	2,294,072	0
Prior Year Encumbrances Appropriated	2,642	2,642	2,642	0
<i>Fund Balance End of Year</i>	<u>\$2,774,814</u>	<u>\$2,361,108</u>	<u>\$2,361,108</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Fund Net Assets

Proprietary Funds

June 30, 2011

	Business-Type Activity Enterprise Fund	Governmental Activity Internal Service Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$51,620	\$55,717
Accounts Receivable	3,990	0
Depreciable Capital Assets, Net	184,790	0
<i>Total Assets</i>	<u>240,400</u>	<u>55,717</u>
Liabilities		
<i>Current Liabilities:</i>		
Accrued Wages and Benefits	19,201	0
Matured Compensated Absences Payable	1,175	0
Intergovernmental Payable	3,534	0
Claims Payable	0	5,494
<i>Total Current Liabilities</i>	<u>23,910</u>	<u>5,494</u>
<i>Long-Term Liabilities:</i>		
Due Within One Year	6,595	0
Due In More Than One Year	2,305	0
<i>Total Long-Term Liabilities</i>	<u>8,900</u>	<u>0</u>
<i>Total Liabilities</i>	<u>32,810</u>	<u>5,494</u>
Net Assets		
Invested in Capital Assets	184,790	0
Unrestricted	22,800	50,223
<i>Total Net Assets</i>	<u>\$207,590</u>	<u>\$50,223</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011*

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activity Internal Service Fund</u>
	<u>Food Service</u>	<u>Pre - Kindergarten</u>	<u>Total Enterprise Funds</u>	
Operating Revenues				
Charges for Services	\$175,757	\$29,425	\$205,182	\$63,944
Operating Expenses				
Salaries	117,164	23,687	140,851	0
Fringe Benefits	67,628	3,407	71,035	0
Purchased Services	0	2,331	2,331	7,124
Materials and Supplies	180,184	0	180,184	0
Claims	0	0	0	84,506
Depreciation	16,401	0	16,401	0
Capital Outlay	2,348	0	2,348	0
Other	249	0	249	0
<i>Total Operating Expenses</i>	<u>383,974</u>	<u>29,425</u>	<u>413,399</u>	<u>91,630</u>
<i>Operating Loss</i>	(208,217)	0	(208,217)	(27,686)
Non-Operating Revenue				
Operating Grants	<u>205,411</u>	<u>0</u>	<u>205,411</u>	<u>0</u>
<i>Change in Net Assets</i>	(2,806)	0	(2,806)	(27,686)
<i>Net Assets Beginning of Year</i>	<u>210,396</u>	<u>0</u>	<u>210,396</u>	<u>77,909</u>
<i>Net Assets End of Year</i>	<u><u>\$207,590</u></u>	<u><u>\$0</u></u>	<u><u>\$207,590</u></u>	<u><u>\$50,223</u></u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activity Internal Service Fund
	<u>Food Service</u>	<u>Pre - Kindergarten</u>	<u>Total Enterprise Funds</u>	
Cash Flows from Operating Activities				
Cash Received from Customers	\$174,468	\$29,425	\$203,893	\$0
Cash Received from Interfund Services	0	0	0	63,944
Cash Payments to Employees for Services	(116,448)	(23,687)	(140,135)	0
Cash Payments for Employee Benefits	(69,583)	(3,407)	(72,990)	0
Cash Payments to Suppliers for Goods and Services	(188,046)	(2,331)	(190,377)	(7,124)
Cash Payments for Claims	0	0	0	(84,991)
Other Cash Payments	(249)	0	(249)	0
<i>Net Cash Used for Operating Activities</i>	(199,858)	0	(199,858)	(28,171)
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	205,411	0	205,411	0
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(1,908)	0	(1,908)	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	3,645	0	3,645	(28,171)
<i>Cash and Cash Equivalents Beginning of Year</i>	47,975	0	47,975	83,888
<i>Cash and Cash Equivalents End of Year</i>	<u>\$51,620</u>	<u>\$0</u>	<u>\$51,620</u>	<u>\$55,717</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities				
Operating Loss	<u>(\$208,217)</u>	<u>\$0</u>	<u>(\$208,217)</u>	<u>(\$27,686)</u>
Adjustments:				
Depreciation	16,401	0	16,401	0
Increase in Accounts Receivable	(1,289)	0	(1,289)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(5,514)	0	(5,514)	0
Accrued Wages	(433)	0	(433)	0
Compensated Absences Payable	(1,066)	0	(1,066)	0
Matured Compensated Absences Payable	1,175	0	1,175	0
Intergovernmental Payable	(915)	0	(915)	0
Claims Payable	0	0	0	(485)
<i>Total Adjustments</i>	<u>8,359</u>	<u>0</u>	<u>8,359</u>	<u>(485)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(\$199,858)</u>	<u>\$0</u>	<u>(\$199,858)</u>	<u>(\$28,171)</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$25,887	<u>\$25,025</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$25,025</u>
Net Assets		
Held in Trust for Scholarships	<u>\$25,887</u>	

See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
	Scholarship
Additions	
Gifts and Contributions	\$373
Interest	22
	395
<i>Total Additions</i>	395
Deductions	
Scholarships Awarded	1,000
	(605)
<i>Change in Net Assets</i>	(605)
<i>Net Assets Beginning of Year</i>	26,492
<i>Net Assets End of Year</i>	\$25,887

See accompanying notes to the basic financial statements

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 1 - Description of the School District and Reporting Entity

Joseph Badger Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by thirty-five classified employees, fifty-two certified full-time teaching personnel, and five administrators who provide services to 975 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in five jointly governed organizations and three public entity risk pools and is associated with a related organization. These organizations are presented in Notes 19, 20 and 21 to the financial statements. These organizations are:

Jointly Governed Organizations:

- Trumbull County Career and Technical Center
- Northeast Ohio Management Information Network
- Northeast Ohio Instructional Media Center
- Trumbull Student Assistance Consortium
- Region 12 Professional Development Center

Public Entity Risk Pools:

- Ohio School Boards Association Workers' Compensation Group Rating Program
- Trumbull County Schools Employee Insurance Benefits Consortium
- Schools of Ohio Risk Sharing Authority

Related Organization:

- Kinsman Public Library

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB Statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the School District's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

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. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The bond retirement fund accounts for property tax revenues that are restricted for payment of principal and interest and fiscal charges on general obligation debt.

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District accounts for two enterprise funds. One for the financial transactions related to the food service operations of the School District. The other for the financial transactions related to the pre-kindergarten program which began in fiscal year 2009.

Internal Service Fund The internal service fund accounts for financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District utilizes an internal service fund to account for the operation of the School District's self insurance program for employee dental benefits.

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, 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.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

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 and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

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, grants, interest, tuition, and student fees.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue matches actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to year end the Board of Education adopted appropriations which match actual expenditures plus encumbrances.

Cash and Cash Equivalents

Cash received by the School District is pooled for investment purposes. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

During fiscal year 2011, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). 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 share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$9,407, which includes \$2,544 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund are money required by State statute to be set-aside to create a reserve for the purchase of textbooks, a reserve for budget stabilization and for unclaimed funds. See Note 17 for additional information regarding set-asides.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of twenty-five hundred dollars. The School 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. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	50 years	N/A
Buildings and Improvements	50 years	N/A
Furniture and Equipment	5-20 years	5-20 years
Vehicles	10 years	N/A
Textbooks	5 years	N/A

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 of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employee who has accumulated unpaid leave will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the proprietary fund 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, claims and judgments and 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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include grants and resources restricted for public school support and extracurricular activities.

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

Fund Balance Reserves

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for food service, pre-kindergarten and self insurance. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the school improvement general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the governmental fund financial statements bond issuance costs are recognized when the debt is issued.

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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 after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Estimates

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 3 – Change in Accounting Principles and Restatement of Fund Balance

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

Restatement of Prior Year’s Fund Balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$1,583,740	\$272,361	\$615,611	\$2,471,712
Change in Fund Structure	33,683	0	(33,683)	0
Adjusted Fund Balance at June 30, 2010	<u>\$1,617,423</u>	<u>\$272,361</u>	<u>\$581,928</u>	<u>\$2,471,712</u>

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Joseph Badger Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Restricted for</i>				
Unclaimed Monies	\$2,650	\$0	\$0	\$2,650
Set-Asides	219,754	0	0	219,754
Classroom Facilities Maintenance	0	0	42,026	42,026
Athletics	0	0	15,141	15,141
Debt Service Payments	0	306,152	0	306,152
Capital Improvements	0	0	490,390	490,390
<i>Total Restricted</i>	222,404	306,152	547,557	1,076,113
<i>Assigned to</i>				
Other Purposes	22,463	0	0	22,463
<i>Unassigned (Deficit)</i>	1,400,249	0	(1,231)	1,399,018
<i>Total Fund Balances</i>	<u>\$1,645,116</u>	<u>\$306,152</u>	<u>\$546,326</u>	<u>\$2,497,594</u>

Note 5 - Budgetary Basis of Accounting

While the School District is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balance	
GAAP Basis	\$27,693
Net Adjustment for Revenue Accruals	32,806
Advances In	9,123
Net Adjustment for Expenditure Accruals	82,427
Advances Out	(81,568)
Encumbrances	<u>(6,087)</u>
Budget Basis	<u><u>\$64,394</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active deposits must be maintained either as cash in the School 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 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of 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, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2011, the School District had investments in STAR Ohio with a fair value of \$1,864,224 and a maturity of 58.3 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 7 – Accountability

At June 30, 2011, the State fiscal stabilization and the title I special revenue funds had deficit fund balances of \$954 and \$277, respectively. These funds' deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides transfers when cash is required, rather than when accruals occur.

Note 8 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 become a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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 School District prior to June 30.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, personal property and public utility property taxes which were measurable as of June 30, 2011, and for which there was 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 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$14,789 in the general fund, \$215 in the classroom facilities maintenance special revenue fund, \$2,750 in the bond retirement debt service fund and \$50 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2010 was \$47,287 in the general fund, \$687 in the classroom facilities maintenance special revenue fund, \$8,888 in the bond retirement debt service fund and \$158 in the permanent improvement capital projects fund. The difference was in timing and collection by the County Auditor.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

	2010 Second		2011 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$110,086,210	96.71 %	\$109,868,380	96.72 %
Public Utility Personal	3,504,480	3.08	3,614,150	3.18
Tangible Personal Property	235,920	0.21	109,260	0.10
Total	\$113,826,610	100.00 %	\$113,591,790	100.00 %
Tax rate per \$1,000 of assessed valuation	\$40.80		\$40.80	

Note 9 – Capital Assets

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

	Balance 06/30/10	Additions	Deductions	Balance 06/30/11
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$528,682	\$0	\$0	\$528,682
<i>Capital Assets being Depreciated:</i>				
Land Improvements	4,260,070	0	0	4,260,070
Buildings and Improvements	24,071,333	0	0	24,071,333
Furniture and Equipment	1,278,272	16,748	0	1,295,020
Vehicles	1,006,984	76,615	0	1,083,599
Textbooks	665,036	16,223	(14,600)	666,659
<i>Total Capital Assets being Depreciated</i>	<i>31,281,695</i>	<i>109,586</i>	<i>(14,600)</i>	<i>31,376,681</i>
Less Accumulated Depreciation:				
Land Improvements	(743,013)	(212,557)	0	(955,570)
Buildings and Improvements	(2,651,911)	(760,161)	0	(3,412,072)
Furniture and Equipment	(317,172)	(93,472)	0	(410,644)
Vehicles	(586,662)	(87,746)	0	(674,408)
Textbooks	(572,934)	(35,467)	14,600	(593,801)
<i>Total Accumulated Depreciation</i>	<i>(4,871,692)</i>	<i>(1,189,403) *</i>	<i>14,600</i>	<i>(6,046,495)</i>
<i>Total Assets being Depreciated, Net</i>	<i>26,410,003</i>	<i>(1,079,817)</i>	<i>0</i>	<i>25,330,186</i>
<i>Governmental Activities Capital Assets, Net</i>	<i>\$26,938,685</i>	<i>(\$1,079,817)</i>	<i>\$0</i>	<i>\$25,858,868</i>
Business-Type Activity				
Furniture and Equipment	\$254,353	\$1,908	\$0	\$256,261
Less Accumulated Depreciation	(55,070)	(16,401)	0	(71,471)
<i>Buisness-Type Activity Capital Assets, Net</i>	<i>\$199,283</i>	<i>(\$14,493)</i>	<i>\$0</i>	<i>\$184,790</i>

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$1,028,153
Special	756
Vocational	320
Support Services:	
Pupil	2,285
Administration	1,956
Fiscal	182
Operation and Maintenance of Plant	16,363
Pupil Transportation	87,746
Central	21,292
Extracurricular Activities	<u>30,350</u>
Total Depreciation Expense	<u><u>\$1,189,403</u></u>

Note 10 - Receivables

Receivables at June 30, 2011, consisted of taxes, intergovernmental, tuition, accrued interest, and rentals. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Intergovernmental receivables consist of federal grant money in the title VI-B special revenue fund in the amount of \$81,568 and \$4,011 in the general fund from the School Employees Retirement System.

Note 11 - Pension Plans

School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$115,156, \$125,023 and \$88,589, respectively; 97.39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

State Teachers Retirement System

Plan Description - The School 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 times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$494,138, \$499,724 and \$489,827, respectively; 85.50 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2010 (the latest information available) were \$8,733 made by the School District and \$6,238 made by the plan members.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Note 12 - Postemployment Benefits

School Employee Retirement System

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified 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, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$14,493 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$28,437, \$23,694 and \$40,677 respectively; 97.39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$7,411, \$7,435 and \$7,627 respectively; 97.39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing multiple-employer defined benefit Health 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

School District’s contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$38,011, \$38,440 and \$37,679 respectively; 85.50 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Note 13 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement. All employees who are eligible to retire receive a severance benefit upon retirement limited to twenty-five percent of accumulated sick leave. For classified employees the maximum pay out is limited to eighty days. For certified employees and certain administrators, the maximum payout is determined by their individual contracts. Only employees with 10 years of service or more, with the School District, are paid for unused sick leave at termination or resignation.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Trumbull County Schools Employee Insurance Benefits Consortium at a cost of \$.105 per \$1,000 for the first \$50,000 and a rate that varies by age for amounts in excess of the first \$50,000. The coverage provided follows:

<u>Class</u>	<u>Class Description</u>	<u>Amount of Coverage</u>	<u>Class</u>	<u>Class Description</u>	<u>Amount of Coverage</u>
I	Full Time Certified	\$50,000	VI	Classified Cafeteria Aide	\$12,500
II	Full Time Classified	25,000	VII	Half Day Custodial	12,500
III	Part Time Classified	25,000	VIII	Building Secretaries	25,000
IV	Treasurer	100,000	IX	Administrators	50,000
V	Half Day Classified	12,500	X	Superintendent	100,000

Note 14 – Interfund Transfers and Balances

Interfund Transfers

The general fund transferred \$1,914 to the athletic special revenue fund to help fund athletic events.

Interfund Balances

Interfund balances at June 30, 2011, consist of an interfund receivable/payable between the general fund and the title VI-B special revenue fund in the amount of \$81,568. This loan was made to support programs and projects in the special revenue fund pending the receipt of grant money that will be used to repay the loan. This loan is expected to be repaid in one year.

Joseph Badger Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

Note 15 - Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
2006 New School Construction			
Capital Appreciation Bonds	3.70%	\$99,993	2017-2021
Serial Bonds	2.00-3.90%	5,295,000	2022-2026
Term Bonds	3.70%	4,605,000	2034

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/11</u>	<u>Due in</u>
					<u>One Year</u>
Governmental Activities					
<i>General Obligation Bonds:</i>					
2006 New School Construction					
Serial Bonds	\$3,560,000	\$0	\$310,000	\$3,250,000	\$315,000
Capital Appreciation Bonds	99,993	0	0	99,993	0
Accretion on Bonds	43,316	12,325	0	55,641	0
Term Bonds	4,605,000	0	0	4,605,000	0
Unamortized Premium	286,756	0	13,655	273,101	0
<i>Total General Obligation Bonds</i>	<u>8,595,065</u>	<u>12,325</u>	<u>323,655</u>	<u>8,283,735</u>	<u>315,000</u>
<i>Other Long-Term Obligations</i>					
Capital Leases	10,483	0	10,483	0	0
Compensated Absences	670,144	306,663	337,946	638,861	341,092
<i>Total Other Long-Term Obligations</i>	<u>680,627</u>	<u>306,663</u>	<u>348,429</u>	<u>638,861</u>	<u>341,092</u>
<i>Total Long-Term Liabilities</i>	<u><u>\$9,275,692</u></u>	<u><u>\$318,988</u></u>	<u><u>\$672,084</u></u>	<u><u>\$8,922,596</u></u>	<u><u>\$656,092</u></u>
Business-Type Activities					
Compensated Absences	<u><u>\$9,966</u></u>	<u><u>\$3,492</u></u>	<u><u>\$4,558</u></u>	<u><u>\$8,900</u></u>	<u><u>\$6,595</u></u>

Compensated absences will be paid from the general fund and the food service enterprise fund.

On June 24, 2006, Joseph Badger Local School District issued \$9,999,993 in voted general obligation bonds, which included serial, term and capital appreciation bonds in the amounts of \$5,295,000, \$4,605,000 and \$99,993, respectively. The general obligation bonds were issued to fund the construction of the new pre-kindergarten through grade twelve building. The bonds were issued for a twenty-eight year period with final maturity at December 1, 2034. The bonds will be retired from the debt service fund.

The term bonds were issued at a premium of \$382,341, which is being amortized annually until the point of maturity of the term bonds, which is 2034.

Joseph Badger Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

The maturity amount of outstanding capital appreciation bonds at June 30, 2011 is \$99,993. The accretion recorded for 2011 was \$12,325, for a total outstanding capital appreciation bond liability of \$155,643 at June 30, 2011.

The School District's overall debt margin was \$2,242,928 with an unvoted debt margin of \$113,592 at June 30, 2011. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011 are as follows:

	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$315,000	\$305,855	\$0	\$0	\$0	\$0
2013	330,000	296,660	0	0	0	0
2014	335,000	442,024	0	0	0	0
2015	0	546,572	0	0	39,652	48,955
2016	0	551,626	0	0	32,945	50,028
2017-2021	1,460,000	1,418,265	0	0	27,396	50,915
2022-2026	810,000	427,617	1,350,000	508,691	0	0
2027-2031	0	0	2,655,000	423,440	0	0
2032-2034	0	0	600,000	12,900	0	0
Total	<u>\$3,250,000</u>	<u>\$3,988,619</u>	<u>\$4,605,000</u>	<u>\$945,031</u>	<u>\$99,993</u>	<u>\$149,898</u>

The term bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirement of the School District. The mandatory redemption is to occur on December 1, of each of the years 2024 through 2033 (with the balance of \$600,000 to be paid at stated maturity on December 1, 2034) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule.

Year	Amount
2024	\$430,000
2025	450,000
2026	470,000
2027	490,000
2028	510,000
2029-2034	<u>2,255,000</u>
Total	<u>\$4,605,000</u>

Note 16 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property and fleet insurance, liability insurance and inland marine coverage. Coverage provided by SORSA is as follows:

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

General Liability

Bodily Injury, Personal Injury, Products/Completed Operations	\$12,000,000
Fire Legal Liability.....	500,000
Employee Benefits Liability.....	12,000,000
Medical Payments (\$5,000 per accident)	1,000/person
General Liability Annual Aggregate.....	14,000,000
Educators' Legal Liability – Errors and Omissions (\$5,000 deductible).....	1,000,000
Automobile Liability	50,000
Owned/Leased Vehicles includes Hired/Non-owned (no deductible).....	12,000,000
Uninsured Motorists (no deductible).....	50,000
Automobile Physical Damage (\$1,000 deductible).....	Actual Value
Property Insurance Limit (Replacement Cost with \$1,000 deductible).....	36,479,323
Crime, Forgery, Computer Fraud, Theft, Disappearance, Destruction.....	100,000
Earthquake and Flood (\$100,000 deductible).....	2,000,000
Unintentional Errors and Omissions.....	1,000,000
other property damage included (\$1,000 deductible).....	Various

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

Employee Health Benefits

The School District has contracted with Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

The School District elected to provide dental coverage benefits through a self-insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a dental plan with a \$75 family and \$25 single deductible. A third-party administrator, Self Funded Plans Inc., located in Cleveland, Ohio, reviews all dental claims which are then paid by the School District. The School District pays into the self-insurance internal service fund \$70.90 per family coverage and \$19.78 per single coverage per month for dental plan. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information.

The claims liability estimated by the third party administrator to be \$5,494 reported in the internal service fund at June 30, 2011 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which required that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The change in the fund's claims liability amount for 2011 was:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2010	\$6,317	\$83,084	\$83,422	\$5,979
2011	5,979	84,506	84,991	5,494

Joseph Badger Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Workers' Compensation

For fiscal year 2011, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

Note 17 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2011, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Textbooks	Capital Improvements	Budget Reserve
Set-aside Reserve Balance as of June 30, 2010	\$130,985	\$0	\$33,356
Prior Year Carryover	0	(8,264,993)	0
Current Year Set-aside Requirement	149,892	149,892	0
Current Year Offsets	0	0	0
Qualifying Disbursements	(94,479)	(324,383)	0
Totals	<u>\$186,398</u>	<u>(\$8,439,484)</u>	<u>\$33,356</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>(\$7,954,993)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2011	<u>\$186,398</u>	<u>\$0</u>	<u>\$33,356</u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for capital acquisition set-asides. The negative balance being carried forward represents the still outstanding balance on the School District's Ohio Schools Facilities Commission bonds. The total reserve

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

balance for the set-asides at the end of the fiscal year was \$219,754. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal year.

Note 18 - Contingencies

Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Litigation

No litigation is pending at this time for the Joseph Badger Local School District.

Note 19 – Jointly Governed Organizations

Trumbull County Career and Technical Center

The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of one representative from each of the fifteen participating school districts. The board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Joseph Badger Local School District students may attend the vocational school. Each school district's control is limited to its representation on the board. During fiscal year 2011, no monies were paid to the Career and Technical Center. Financial information can be obtained from the Trumbull County Career and Technical Center, Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Northeast Ohio Management Information Network (NEOMIN)

The Northeast Ohio Management Information Network (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$17,152 to NEOMIN during fiscal year 2011.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members, the Trumbull and Ashtabula superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The School District was represented on the Governing Board by the Superintendent during fiscal year 2011. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained from the Trumbull County Educational Service Center, at 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

Northeast Ohio Instructional Media Center (NEOIMC)

The Northeast Ohio Instructional Media Center (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or media to support the educational curricula of the School District. Each member pays a monthly premium based on use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one city superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2011, the School District paid \$1,483 to NEOIMC. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, a 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Trumbull Student Assistance Consortium (TSAC)

The Trumbull Student Assistance Consortium (TSAC) is a jointly governed organization among sixteen school districts. The jointly governed organization was formed for the purpose of aiding each participating district in establishing an effective comprehensive alcohol, tobacco and other drug prevention/intervention program that will help make schools drug free.

TSAC is governed by an executive management council made up of five superintendents of the participating districts whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, at 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Region 12 Professional Development Center (Center)

The Region 12 Professional Development Center (Center) is a jointly governed organization among the school districts located in Trumbull, Mahoning, and Columbiana Counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvement in instructional programs.

The center is governed by a board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University, whose term rotates every year. The degree of control exercised by any participating school district is limited to representation on the Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, at 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Note 20 – Public Entity Risk Pools

Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Shared Risk Pools

The School District participates in the Trumbull County Schools Employee Insurance Benefits Consortium. It is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenue are generated from charges for services.

The School District also participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 65 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, underwriting, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain a copy of the SORSA financial statements, write SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Note 21 – Related Organization

The Kinsman Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Joseph Badger Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fire personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Kinsman Public Library, Martha L. Huscroft, Clerk/Treasurer, at 6420 Church Street, Kinsman, Ohio 44428.

Joseph Badger Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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SUPPLEMENTARY DATA

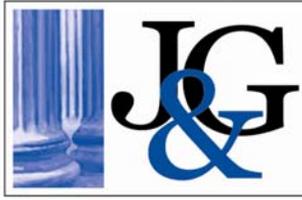
**JOSEPH BADGER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 47,241	\$ 47,241
(D)(E) National School Lunch Program - Food Donation	10.555	2011	6,814	6,814
(C)(D) National School Lunch Program	10.555	2011	146,835	146,835
Total National School Lunch Program			153,649	153,649
<i>Total Child Nutrition Cluster</i>			<i>200,890</i>	<i>200,890</i>
Total U.S. Department of Agriculture			200,890	200,890
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I, Part A Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2011	147,485	147,485
(F)(H) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	(8,079)	-
(F)(H) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	85,613	85,613
Total ARRA Title I Grants to Local Educational Agencies, Recovery Act			77,534	85,613
<i>Total Title I, Part A Cluster:</i>			<i>225,019</i>	<i>233,098</i>
<i>Special Education Cluster (IDEA):</i>				
(G) Special Education Grants to States	84.027	2011	177,393	177,393
(G) ARRA Special Education Grants to States, Recovery Act	84.391	2010	9,123	-
(G) ARRA Special Education Grants to States, Recovery Act	84.391	2011	19,376	100,944
Total ARRA Special Education Grants to States, Recovery Act			28,499	100,944
<i>Total Special Education Cluster (IDEA)</i>			<i>205,892</i>	<i>278,337</i>
Education Technology State Grants	84.318	2011	491	491
Improving Teacher Quality State Grants	84.367	2011	49,742	49,742
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	336,696	336,696
Total U.S. Department of Education			817,840	898,364
Total Federal Financial Assistance			\$ 1,018,730	\$ 1,099,254

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (F) Included as part of "Title I, Part A Cluster" in determining major programs.
- (G) Included as part of "Special Education Cluster (IDEA)" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers in
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	\$ 8,079	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011		\$ 8,079



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*

Joseph Badger Local School District
Trumbull County
7119 State Route 7
Kinsman, Ohio 44428

To the Members of the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Joseph Badger Local School District, Trumbull County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Joseph Badger Local School District's basic financial statements and have issued our report thereon dated September 30, 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 the Joseph Badger Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Joseph Badger Local School District's internal control over financial reporting. Accordingly we have not opined on the effectiveness of the Joseph Badger Local 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 the Joseph Badger Local 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 to be material weaknesses, as defined above.

Board of Education
Joseph Badger Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Joseph Badger Local 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*.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
September 30, 2011



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**Independent Accountants' Report on Compliance With Requirements Applicable to Its
Major Federal Program and on Internal Control Over Compliance
Required By OMB Circular A-133**

Joseph Badger Local School District
Trumbull County
7119 State Route 7
Kinsman, Ohio 44428

To the Members of the Board of Education:

Compliance

We have audited the compliance of the Joseph Badger Local 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 could directly and materially affect Joseph Badger Local School District's major federal program for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Joseph Badger Local School District's major federal program. The Joseph Badger Local 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 the Joseph Badger Local 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 the Joseph Badger Local 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 the Joseph Badger Local School District's compliance with those requirements.

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

Internal Control Over Compliance

The Joseph Badger Local 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 the Joseph Badger Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Joseph Badger Local School District's internal control over compliance.

Board of Education
Joseph Badger Local School District

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 the management and Board of Education of Joseph Badger Local School District, others within Joseph Badger Local School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
September 30, 2011

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under §.510(a)?</i>	No
(d)(1)(vii)	<i>Major Program (listed):</i>	ARRA State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA #84.394)
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Joseph Badger Local School District
Trumbull County
7119 State Route 7
Kinsman, Ohio 44428

To the Board of Education:

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

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

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

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

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

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

Julian & Grube, Inc.
September 30, 2011



Dave Yost • Auditor of State

JOSEPH BADGER LOCAL SCHOOL DISTRICT

TRUMBULL 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
DECEMBER 15, 2011**