

EDGEWOOD CITY SCHOOL DISTRICT

BUTLER COUNTY, OHIO

SINGLE AUDIT

JULY 1, 2007 through JUNE 30, 2008

Fiscal Year Audited Under GAGAS: 2008

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Edgewood City School District, Butler County, prepared by Caudill & Associates, CPA's, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 13, 2009

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

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Edgewood City School District
3500 Busenbark Road
Trenton, Ohio 4507

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgewood City School District, Ohio, (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edgewood City School District, Ohio, as of June 30, 2008, and the respective changes in financial position and the respective 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 April 17, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

To the Board of Education
Edgewood City School District
Independent Auditor's Report

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

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's
April 17, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Unaudited

The management's discussion and analysis of the Edgewood City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$1,353,216 which represents a 13.05% increase from 2007.
- General revenues accounted for \$31,206,820 in revenue or 87.27% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$4,553,878 or 12.73% of total revenues of \$35,760,698.
- The District had \$34,407,482 in expenses related to governmental activities; only \$4,553,878 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$31,206,820 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$28,694,675 in revenues, and \$28,640,220 in expenditures and other financing uses. During fiscal 2008, the general fund's fund balance increased \$54,455 from \$3,008,449 to \$3,062,904.
- The District's other major governmental fund the debt service fund had \$2,729,958 in revenues and \$2,333,601 in expenditures. During fiscal 2008, the debt service fund's fund balance increased \$396,357 from \$2,853,330 to \$3,249,687.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Unaudited

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Unaudited

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-49 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 27,179,787	\$ 25,722,822
Capital assets	24,991,682	25,880,155
Total assets	52,171,469	51,602,977
<u>Liabilities</u>		
Current liabilities	19,556,637	19,120,231
Long-term liabilities	20,889,731	22,110,861
Total liabilities	40,446,368	41,231,092
<u>Net Assets</u>		
Invested in capital assets, net of related debt	7,758,237	6,745,014
Restricted	4,282,224	3,334,612
Unrestricted (deficit)	(315,360)	292,259
Total net assets	\$ 11,725,101	\$ 10,371,885

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$11,725,101.

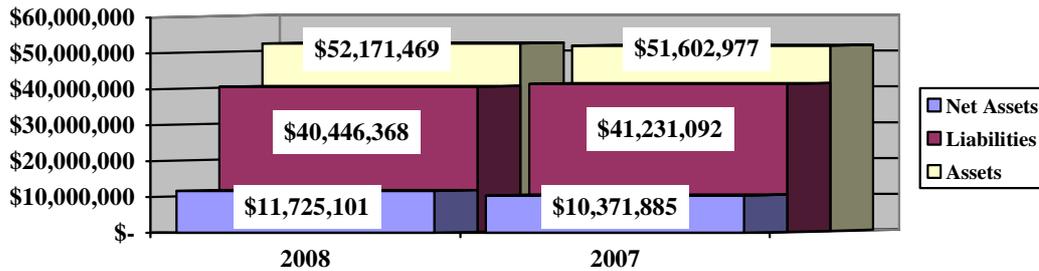
At year-end, capital assets represented 47.90% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$7,758,237. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,282,224, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$315,360.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Unaudited

Governmental Activities



The table below shows the change in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,434,127	\$ 1,307,265
Operating grants and contributions	3,006,647	1,738,545
Capital grants and contributions	113,104	35,328
General revenues:		
Property taxes	13,983,812	13,447,035
Payments in-lieu of taxes	730,796	-
Grants and entitlements	15,858,837	16,238,543
Investment earnings	405,461	435,862
Other	<u>227,914</u>	<u>1,028,149</u>
Total revenues	<u>\$ 35,760,698</u>	<u>\$ 34,230,727</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Unaudited

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 14,480,106	\$ 13,483,107
Special	3,594,517	3,277,189
Other	12,087	34,741
Support services:		
Pupil	2,391,556	2,385,665
Instructional staff	3,089,161	2,444,551
Board of education	233,224	210,142
Administration	2,288,863	2,052,794
Fiscal	887,162	836,057
Business	159,454	143,640
Operations and maintenance	2,651,239	2,513,330
Pupil transportation	1,304,179	1,206,872
Central	206,243	234,495
Operations of non-instructional services	83,438	34,613
Food service operations	1,373,891	1,276,693
Extracurricular activities	551,572	560,298
Interest and fiscal charges	<u>1,100,790</u>	<u>1,146,746</u>
Total expenses	<u>34,407,482</u>	<u>31,840,933</u>
Change in net assets	1,353,216	2,389,794
Net assets at beginning of year	<u>10,371,885</u>	<u>7,982,091</u>
Net assets at end of year	<u>\$ 11,725,101</u>	<u>\$ 10,371,885</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,353,216. Total governmental expenses of \$34,407,482 were offset by program revenues of \$4,553,878 and general revenues of \$31,206,820. Program revenues supported 13.24% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 85.49% of total governmental revenue. Real estate property is reappraised every six years.

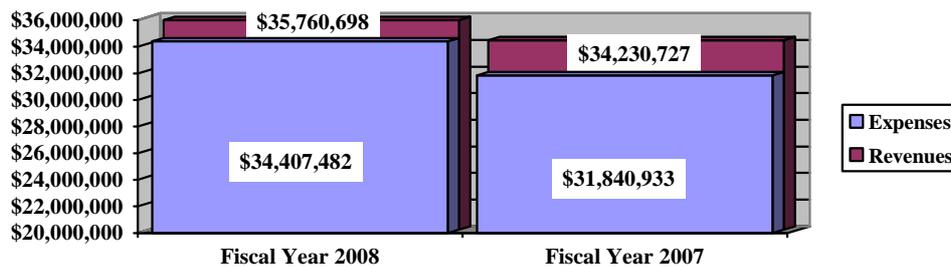
The District's financial condition has improved moderately in recent years, primarily due to increased financial support from the state. Future increases in state funding are projected to be more inflationary rather than the significant increases seen over the past several years. The District is projecting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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Unaudited**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

<u>Program expenses</u>	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
Instruction:				
Regular	\$ 14,480,106	\$ 14,003,836	\$ 13,483,107	\$ 13,022,700
Special	3,594,517	2,001,032	3,277,189	2,947,797
Other	12,087	153	34,741	34,631
Support services:				
Pupil	2,391,556	2,069,928	2,385,665	1,660,113
Instructional staff	3,089,161	2,591,005	2,444,551	2,327,574
Board of education	233,224	233,224	210,142	209,475
Administration	2,288,863	2,265,290	2,052,794	2,027,011
Fiscal	887,162	878,210	836,057	833,498
Business	159,454	159,454	143,640	143,182
Operations and maintenance	2,651,239	2,632,577	2,513,330	2,472,126
Pupil transportation	1,304,179	1,161,392	1,206,872	1,195,207
Central	206,243	206,243	234,495	154,725
Operation of non-instructional services	83,438	67,190	34,613	34,555
Food service operations	1,373,891	54,471	1,276,693	86,024
Extracurricular activities	551,572	428,809	560,298	464,431
Interest and fiscal charges	1,100,790	1,100,790	1,146,746	1,146,746
Total	\$ 34,407,482	\$ 29,853,604	\$ 31,840,933	\$ 28,759,795

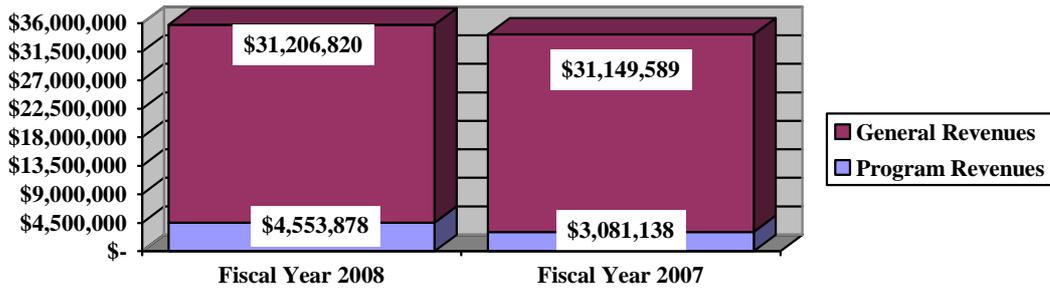
The dependence upon tax and other general revenues for governmental activities is apparent, 88.49% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.76%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Unaudited

Governmental Activities - General and Program Revenues

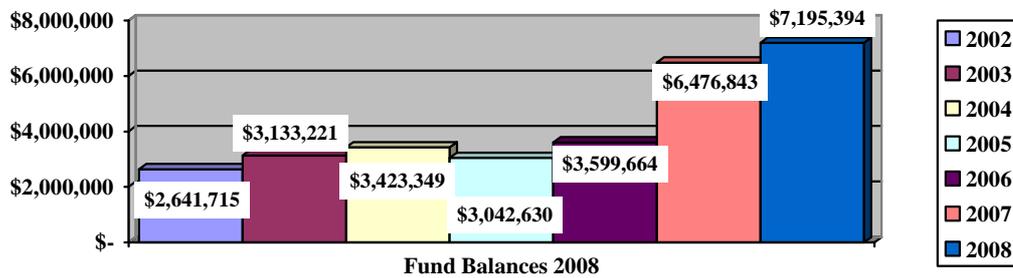


The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$7,195,394, which is higher than last year's total of \$6,476,843. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase	Percentage Change
General	\$ 3,062,904	\$ 3,008,449	\$ 54,455	1.81 %
Debt service	3,249,687	2,853,330	396,357	13.89 %
Other Governmental	882,803	615,064	267,739	43.53 %
Total	\$ 7,195,394	\$ 6,476,843	\$ 718,551	11.09 %

Governmental Activities - Fund Balance



General Fund

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Unaudited

The District's general fund balance increased \$54,455. The increase in fund balance can be attributed to general fund revenues increasing 0.79% and still being more than increased expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 10,929,323	\$ 11,565,055	\$ (635,732)	(5.50) %
Tuition	127,422	79,571	47,851	60.14 %
Earnings on investments	405,461	423,571	(18,110)	(4.28) %
Intergovernmental	16,469,500	15,617,332	852,168	5.46 %
Other revenues	<u>762,969</u>	<u>783,315</u>	<u>(20,346)</u>	(2.60) %
Total	<u>\$ 28,694,675</u>	<u>\$ 28,468,844</u>	<u>\$ 225,831</u>	0.79 %
<u>Expenditures</u>				
Instruction	\$ 15,943,877	\$ 14,731,153	\$ 1,212,724	8.23 %
Support services	11,949,882	10,955,757	994,125	9.07 %
Operation of non-instructional services	7,968	18,148	(10,180)	(56.09) %
Extracurricular activities	438,950	431,644	7,306	1.69 %
Debt service	<u>298,173</u>	<u>298,659</u>	<u>(486)</u>	(0.16) %
Total	<u>\$ 28,638,850</u>	<u>\$ 26,435,361</u>	<u>\$ 2,203,489</u>	8.34 %

The decrease in taxes was due to decreased collections in Butler County. Tuition revenue increased due to more open enrollment students. The increase in intergovernmental revenue was due to increased support from the state. Investment earnings decreased due to decreasing interest rates despite more money to invest. All other revenues were comparable to 2007. Instruction the largest expenditure line item increased slightly due to regular pay increases. All other expenditures were comparable to 2007.

Debt Service Fund

The District's debt service fund, fund balance increased by \$396,357.

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$28,851,128, which was higher than the original budgeted revenues estimate of \$28,376,073. Actual revenues and other financing sources for fiscal 2008 was \$28,851,128. This was the same as final budgeted revenues.

General fund final appropriations (appropriated expenditures plus other financing uses) of \$28,485,503 were the same as the original budgeted appropriations estimate. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$28,336,803, which was \$148,700 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$24,991,682 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 183,689	\$ 183,689
Land improvements	381,328	400,162
Building and improvements	22,132,348	23,026,564
Furniture and equipment	1,307,817	1,269,269
Vehicles	986,500	953,271
Construction in progress	<u>-</u>	<u>47,200</u>
Total	<u>\$ 24,991,682</u>	<u>\$ 25,880,155</u>

The overall decrease in capital assets of \$888,473 is primarily due to depreciation expense of \$1,513,012 exceeding capital outlays of \$624,539 in fiscal 2008.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$19,292,278 in general obligation bonds outstanding. Of this total, \$1,795,000 is due within one year and \$17,497,278 is due within greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental	Governmental
	Activities	Activities
	<u>2008</u>	<u>2007</u>
General obligation bonds:		
Refunding bonds	\$ 12,795,000	\$ 14,485,000
Capital appreciation bonds	4,048,555	4,048,555
Accreted interest on bonds	<u>2,448,723</u>	<u>2,011,776</u>
Total	<u>\$ 19,292,278</u>	<u>\$ 20,545,331</u>

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
Unaudited

Current Financial Related Activities

The District receives the majority of its funding from two sources: local property taxes and state foundation. In calendar year 2005, real property went through a triennial update with the county auditor that resulted in increases in property values of 12.82% and 2.53% respectively for residential/agricultural and commercial real property. With the overall rise in valuations in 2005 and the passage of a 6.9 mill emergency levy on August 2, 2005, tax revenues from real property increased by 15.94% in fiscal year 2006 and 15.67% in fiscal year 2007. Tax year 2006 also saw the District move 2.38 mills of inside millage to a permanent improvement fund. The District went through a reappraisal in calendar year 2008 and saw a modest increase of 1% in property values. A triennial update is scheduled for 2011. In addition, the District continues to see a modest growth due to new construction (primarily residential homes). During the last several years, new construction has averaged just over 4%. We anticipate this modest growth to continue. In addition, fiscal year 2009 also reflects a reclassification (\$1,836,942) from tangible personal property to General Property Tax (Real Estate). This reclassification related to public utility real taxes that were being coded to tangible personal taxes.

In July 2003, the state legislature passed H.B.283. The purpose of this legislation was to reduce the valuation of certain personal property, thus resulting in a reduction of personal property taxes. H.B.283 reduced the assessed valuation of the inventory component of personal property tax from 25% to 0% by 2028. Subsequent to H.B.283, the state passed H.B.95. This legislation accelerated the reduction of the inventory component to 2% per year ending in 2016. In July of 2005, the state legislature once again enacted legislation that accelerated the phase-out of tangible personal property and public utilities taxes. H.B.66 was enacted and accelerated the complete phase-out of personal property taxes by tax year 2009. There is however a hold harmless piece in this bill for school districts through the forecast period 2010 less the previously approved phase-out in H.B.95.

Although growth in new homes has been at a modest 4%, the District has seen a steady increase in our student population. We have seen increases in our ADM of 69, (6), 81, and 71 for fiscal years 2005, 2006, 2007, and 2008 respectively. Due to the recent housing market and foreclosures, the District is expecting a slight decrease (8) in our ADM for fiscal year 2009. We anticipate seeing an improvement in our economy and are projecting a modest growth of a 1.78% increase in our ADM for fiscal years 2010 through 2013. In addition, we anticipate the per-pupil state funding to increase 2.8% each year for fiscal years 2010 through 2013. Fiscal year 2008 was the first year that reflects the complete phase-out of the cost of doing business factor. This phase-out, along with the increase in the per pupil funding and our ADM results in increases in our state funding of 4.1%, 3.0%, 5.9%, 3.9% and 3.2% for fiscal years 2009 through 2013 respectively.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Unaudited

The last and most concerning challenge is state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the state has directed its tax revenue growth towards school districts with low property tax wealth. On September 6, 2001, the Ohio Supreme Court issued its opinion regarding the state's school funding plan and granted a motion for reconsideration on November 2, 2001. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." The Governor of Ohio has recently released his proposal to change the manner in which Ohio schools are funded. He is referring to his proposal as the Ohio Evidenced Based Model. This proposal still needs to go through several committees before it becomes law. What the final version will look like is difficult to say. Due to the uncertainty of this new model and the effect it would have on school funding at this time, the District is still using the current funding system in our projections.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Randy Stiver, Treasurer, Edgewood City School District, 3500 Busenbark Road, Trenton, Ohio, 45067-9798.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 10,981,867
Receivables:	
Taxes	15,982,366
Accounts	5,533
Intergovernmental	10,556
Accrued interest	20,426
Unamortized bond issuance costs.	153,611
Prepayments	6,236
Materials and supplies inventory.	19,192
Capital assets:	
Land	183,689
Depreciable capital assets, net	24,807,993
Capital assets, net.	24,991,682
 Total assets	 52,171,469
 Liabilities:	
Accounts payable	30,799
Accrued wages and benefits	2,804,029
Pension obligation payable.	734,258
Intergovernmental payable	227,285
Unearned revenue	15,658,857
Accrued interest payable	101,409
Long-term liabilities:	
Due within one year.	2,413,189
Due within more than one year	18,476,542
Total liabilities	40,446,368
 Net Assets:	
Invested in capital assets, net of related debt.	7,758,237
Restricted for:	
Capital projects	815,400
Debt service.	3,175,328
Locally funded programs.	9,023
State funded programs.	58,379
Federally funded programs.	6,184
Student activities	94,687
Other purposes	123,223
Unrestricted (deficit).	(315,360)
Total net assets.	\$ 11,725,101

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Instruction:						
Regular	\$ 14,480,106	\$ 416,103	\$ 60,167	\$ -	\$ (14,003,836)	
Special	3,594,517	21,017	1,572,468	-	(2,001,032)	
Other	12,087	-	11,934	-	(153)	
Support services:						
Pupil	2,391,556	371	321,257	-	(2,069,928)	
Instructional staff	3,089,161	7,390	411,421	79,345	(2,591,005)	
Board of education	233,224	-	-	-	(233,224)	
Administration	2,288,863	10,686	3,060	9,827	(2,265,290)	
Fiscal	887,162	-	-	8,952	(878,210)	
Business	159,454	-	-	-	(159,454)	
Operations and maintenance	2,651,239	17,649	1,013	-	(2,632,577)	
Pupil transportation	1,304,179	1,936	127,781	13,070	(1,161,392)	
Central	206,243	-	-	-	(206,243)	
Operation of non-instructional services	83,438	-	14,338	1,910	(67,190)	
Food service operations	1,373,891	836,212	483,208	-	(54,471)	
Extracurricular activities	551,572	122,763	-	-	(428,809)	
Interest and fiscal charges	1,100,790	-	-	-	(1,100,790)	
Total governmental activities	\$ 34,407,482	\$ 1,434,127	\$ 3,006,647	\$ 113,104	(29,853,604)	

General Revenues:

Property taxes levied for:	
General purposes	11,034,646
Debt service	2,106,217
Permanent improvement	842,949
Payments in lieu of taxes	730,796
Grants and entitlements not restricted	
to specific programs	15,858,837
Investment earnings	405,461
Miscellaneous	227,914
Total general revenues	31,206,820
Change in net assets	1,353,216
Net assets at beginning of year	10,371,885
Net assets at end of year	\$ 11,725,101

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 6,418,898	\$ 3,249,687	\$ 1,190,059	\$ 10,858,644
Receivables:				
Taxes	12,639,474	2,461,670	881,222	15,982,366
Accounts	5,533	-	-	5,533
Intergovernmental	7,555	-	3,001	10,556
Accrued interest	19,939	-	487	20,426
Interfund loans	54,565	-	-	54,565
Prepayments	6,236	-	-	6,236
Materials and supplies inventory	-	-	19,192	19,192
Restricted assets:				
Equity in pooled cash and cash equivalents	123,223	-	-	123,223
Total assets	<u>\$ 19,275,423</u>	<u>\$ 5,711,357</u>	<u>\$ 2,093,961</u>	<u>\$ 27,080,741</u>
Liabilities:				
Accounts payable	\$ 25,184	\$ -	\$ 5,615	\$ 30,799
Accrued wages and benefits	2,620,188	-	183,841	2,804,029
Compensated absences payable	226,824	-	2,251	229,075
Pension obligation payable	668,342	-	65,916	734,258
Intergovernmental payable	212,507	-	14,778	227,285
Interfund loan payable	-	-	54,565	54,565
Deferred revenue	110,016	23,866	12,597	146,479
Unearned revenue	12,349,458	2,437,804	871,595	15,658,857
Total liabilities	<u>16,212,519</u>	<u>2,461,670</u>	<u>1,211,158</u>	<u>19,885,347</u>
Fund Balances:				
Reserved for encumbrances	26,528	-	30,110	56,638
Reserved for BWC refunds	123,223	-	-	123,223
Reserved for materials and supplies inventory	-	-	19,192	19,192
Reserved for property tax unavailable for appropriation	180,000	-	-	180,000
Reserved for debt service	-	3,249,687	-	3,249,687
Reserved for prepayments	6,236	-	-	6,236
Unreserved, undesignated, reported in:				
General fund	2,726,917	-	-	2,726,917
Special revenue funds	-	-	29,348	29,348
Capital projects funds	-	-	804,153	804,153
Total fund balances	<u>3,062,904</u>	<u>3,249,687</u>	<u>882,803</u>	<u>7,195,394</u>
Total liabilities and fund balances	<u>\$ 19,275,423</u>	<u>\$ 5,711,357</u>	<u>\$ 2,093,961</u>	<u>\$ 27,080,741</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 7,195,394
<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.		24,991,682
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 143,509	
Intergovernmental revenue	2,970	
Total		146,479
Unamortized bond issuance costs are not recognized in the funds.		153,611
Unamortized deferred charges on refundings are not recognized in the funds.		717,801
Unamortized premiums on bond issuances are not recognized in the funds.		(305,580)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation current interest bonds	12,795,000	
General obligation capital appreciation bonds	6,497,278	
Capital lease obligation	134,361	
Lease purchase agreement	667,750	
Compensated absences	978,488	
Accrued interest payable	101,409	
Total		(21,174,286)
Net assets of governmental activities		\$ 11,725,101

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 10,929,323	\$ 2,083,398	\$ 833,737	\$ 13,846,458
Tuition	127,422	-	-	127,422
Transportation fees	1,936	-	-	1,936
Earnings on investments	405,461	-	22,872	428,333
Charges for services	-	-	836,212	836,212
Extracurricular.	-	-	187,039	187,039
Classroom materials and fees	-	-	269,327	269,327
Other local revenues.	761,033	-	232,185	993,218
Intergovernmental - State	16,452,141	646,560	420,675	17,519,376
Intergovernmental - Federal.	17,359	-	1,438,765	1,456,124
Total revenue	<u>28,694,675</u>	<u>2,729,958</u>	<u>4,240,812</u>	<u>35,665,445</u>
Expenditures:				
Instruction:				
Regular	12,712,746	-	553,920	13,266,666
Special	3,219,073	-	455,037	3,674,110
Other	12,058	-	-	12,058
Support Services:				
Pupil.	1,956,184	-	416,788	2,372,972
Instructional staff	2,506,707	-	666,338	3,173,045
Board of education	232,710	-	-	232,710
Administration.	2,210,084	-	51,839	2,261,923
Fiscal	813,096	46,399	17,771	877,266
Business	158,689	-	-	158,689
Operations and maintenance.	2,628,520	-	18,949	2,647,469
Pupil transportation	1,238,160	-	90,146	1,328,306
Central.	205,732	-	-	205,732
Operation of non-instructional services	7,968	-	74,345	82,313
Food service operations	-	-	1,374,385	1,374,385
Extracurricular activities.	438,950	-	115,446	554,396
Facilities acquisition and construction	-	-	140,250	140,250
Debt service:				
Principal retirement	245,608	1,690,000	-	1,935,608
Interest and fiscal charges	52,565	597,202	-	649,767
Total expenditures	<u>28,638,850</u>	<u>2,333,601</u>	<u>3,975,214</u>	<u>34,947,665</u>
Excess of revenue over expenditures.	<u>55,825</u>	<u>396,357</u>	<u>265,598</u>	<u>717,780</u>
Other financing sources (uses):				
Transfers in.	-	-	1,370	1,370
Transfers out	(1,370)	-	-	(1,370)
Total other financing sources (uses)	<u>(1,370)</u>	<u>-</u>	<u>1,370</u>	<u>-</u>
Net change in fund balances.	54,455	396,357	266,968	717,780
Fund balances at beginning of year	3,008,449	2,853,330	615,064	6,476,843
Increase in reserve for inventory	-	-	771	771
Fund balances at end of year	<u>\$ 3,062,904</u>	<u>\$ 3,249,687</u>	<u>\$ 882,803</u>	<u>\$ 7,195,394</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	717,780
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,513,012) exceeds capital outlays (\$624,539) in the current period.		(888,473)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		771
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		95,253
Repayment of bond, capital lease, and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		1,935,608
In the statement of activities, interest is accrued on outstanding bonds, capital leases, and lease purchases; whereas in governmental funds, interest is reported as an expenditure when due. The following items resulted in increased interest being reported in the statement of activities:		
Decrease in accrued interest payable	\$ 22,901	
Accreted interest on capital appreciation bonds	(436,947)	
Amortization of bond issuance costs	(3,065)	
Amortization of bond premiums	6,097	
Amortization of deferred charge on refunding	(40,009)	
Total		(451,023)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use current financial resources and therefore are not reported as expenditures in governmental funds.		(56,700)
Change in net assets of governmental activities	\$	1,353,216

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Taxes	\$ 10,692,607	\$ 10,871,616	\$ 10,871,616	\$ -
Tuition	125,324	127,422	127,422	-
Transportation fees	2,312	2,351	2,351	-
Earnings on investments	400,618	407,325	407,325	-
Other local revenues	736,946	749,283	749,283	-
Intergovernmental - state	16,180,278	16,451,158	16,451,158	-
Intergovernmental - federal	17,073	17,359	17,359	-
Total revenue	<u>28,155,158</u>	<u>28,626,514</u>	<u>28,626,514</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,869,197	12,869,197	12,802,016	67,181
Special	3,162,088	3,162,088	3,145,581	16,507
Other	12,368	12,368	12,303	65
Support Services:				
Pupil	1,933,308	1,933,308	1,923,216	10,092
Instructional staff	2,478,563	2,478,563	2,465,624	12,939
Board of education	232,526	232,526	231,312	1,214
Administration	2,110,360	2,110,360	2,099,344	11,016
Fiscal	813,927	813,927	809,678	4,249
Business	159,219	159,219	158,388	831
Operations and maintenance	2,661,093	2,661,093	2,647,202	13,891
Pupil transportation	1,221,498	1,221,498	1,215,122	6,376
Central	206,536	206,536	205,458	1,078
Operation of non-instructional services	12,067	12,067	12,004	63
Extracurricular activities	439,040	439,040	436,748	2,292
Debt service:				
Principal retirement	30,157	30,157	30,000	157
Interest and fiscal charges	17,753	17,753	17,660	93
Total expenditures	<u>28,359,700</u>	<u>28,359,700</u>	<u>28,211,656</u>	<u>148,044</u>
Excess of revenues over (under) expenditures	<u>(204,542)</u>	<u>266,814</u>	<u>414,858</u>	<u>148,044</u>
Other financing sources (uses):				
Sale of assets	1,967	2,000	2,000	-
Transfers (out)	(2,335)	(2,335)	(2,323)	12
Advances in	206,775	210,237	210,237	-
Advances (out)	(114,583)	(114,583)	(113,985)	598
Refund of prior year expenditure	12,173	12,377	12,377	-
Refund of prior year receipt	(8,885)	(8,885)	(8,839)	46
Total other financing sources (uses)	<u>95,112</u>	<u>98,811</u>	<u>99,467</u>	<u>656</u>
Net change in fund balance	(109,430)	365,625	514,325	148,700
Fund balance at beginning of year	5,891,016	5,891,016	5,891,016	-
Prior year encumbrances appropriated	87,079	87,079	87,079	-
Fund balance at end of year	\$ 5,868,665	\$ 6,343,720	\$ 6,492,420	\$ 148,700

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 19,282	\$ 60,112
Total assets	19,282	\$ 60,112
Liabilities:		
Accounts payable	-	\$ 475
Due to students	-	59,637
Total liabilities	-	\$ 60,112
Net Assets:		
Held in trust for scholarships	19,282	
Total net assets	\$ 19,282	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 14,101
Total additions.	14,101
Deductions:	
Scholarships awarded	330
Change in net assets	13,771
Net assets at beginning of year	5,511
Net assets at end of year	\$ 19,282

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. This Board controls the District's instructional and support facilities, staffed by 275 certified full-time teaching and administrative personnel and 185 classified personnel, who provide services to approximately 3,604 students and other community members.

The District ranks as the 120th largest by enrollment among the 896 public school districts and community schools in the state. It currently operates 3 elementary schools, 1 middle school and 1 comprehensive high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association

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

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

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

Butler Technology & Career Development Schools

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

B. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

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

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue in the fund financial statements.

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

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

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

D. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following are the District's major governmental funds:

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - This fund is used to account for the accumulation of resources and payment of general obligation bond and note principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) food service operations and uniform school supplies operations; and, (c) grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2008 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Butler County Budget Commission for tax rate determination.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2008.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

During fiscal year 2008, investments were limited to the 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 shares price, which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$405,461, which includes \$145,613 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the statement of activities and the purchase method on the governmental fund statements.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two-thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, 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 year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Prepayments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

O. Estimates

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

P. Restricted Assets

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated on the Statement of Activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 120,229
Entry year programs	196
Poverty aid	316
IDEA part B grants	72,016
Title I disadvantaged children	7,701
Title V innovative education programs	116
Drug free school grant	8
IDEA preschool-handicapped	86
Miscellaneous federal grants	25

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$15,870. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$200,000 of the District's bank balance of \$415,393 was covered by the Federal Deposit Insurance Corporation, while \$215,393 was exposed to custodial risk as discussed below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

B. Investments

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

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

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

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment</u>	<u>Fair Market Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 11,045,391	\$ 11,045,391
Total	<u>\$ 11,045,391</u>	<u>\$ 11,045,391</u>

At June 30, 2008, the weighted average maturity of investments is one day.

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 11,045,391	100.00%
Total	<u>\$ 11,045,391</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 15,870
Investments	<u>11,045,391</u>
Total	<u>\$ 11,061,261</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 10,981,867
Private-purpose trust funds	19,282
Agency funds	<u>60,112</u>
Total	<u>\$ 11,061,261</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** At June 30, 2008, interfund loans receivable and payable reported in the fund financial statements consisted of the following:

<u>Interfund loans receivable in the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 54,565

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

- B.** For the fiscal year ended June 30, 2008, transfers reported in the fund financial statements consisted of the following:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 1,370

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for the District for the year ended June 30, 2008 was \$44.14 per \$1,000 of assessed value for general operations, \$2.38 per \$1,000 of assessed value for permanent improvement and \$5.90 per \$1,000 of assessed valuation for debt service.

The assessed values of real and tangible personal property for tax year 2008 are as follows:

	2007 Second		2008 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real estate property	\$ 311,744,290	79.66	\$ 320,260,800	81.73
Public utility personal property	45,833,330	11.71	47,052,340	12.01
Tangible personal property	<u>33,758,503</u>	<u>8.63</u>	<u>24,572,840</u>	<u>6.26</u>
Total assessed valuation	<u>\$ 391,336,123</u>	<u>100.00</u>	<u>\$ 391,885,980</u>	<u>100.00</u>

Real property 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 later payment dates to be established.

Tangible personal property taxes 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. This year, the first-half tangible personal property tax settlement was received in June of 2008.

The Butler County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August. The amounts available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2007. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less the amount available intended to finance the current year) is therefore offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$180,000 in the general fund. There was no amount available as an advance at June 30, 2008 in the debt service fund and in the permanent improvement fund (a non-major governmental fund). These amounts have been recorded as revenue. The amount available as an advance at June 30, 2007 was \$122,293 in the general fund, \$26,482 in the debt service fund, and \$10,504 in the permanent improvement fund (a non-major governmental fund).

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

Taxes	\$ 15,982,366
Accounts	5,533
Accrued interest	20,426
Intergovernmental	<u>10,556</u>
Total	<u>\$ 16,018,881</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance			Balance
	<u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/08</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 183,689	\$ -	\$ -	\$ 183,689
Construction in progress	47,200	68,910	(116,110)	-
<i>Total capital assets, not being depreciated</i>	<u>230,889</u>	<u>68,910</u>	<u>(116,110)</u>	<u>183,689</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	536,637	-	-	536,637
Buildings and improvements	34,164,177	116,110	-	34,280,287
Equipment and furniture	2,877,040	428,049	-	3,305,089
Vehicles	1,759,445	127,580	-	1,887,025
<i>Total capital assets, being depreciated</i>	<u>39,337,299</u>	<u>671,739</u>	<u>-</u>	<u>40,009,038</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(136,475)	(18,834)	-	(155,309)
Buildings and improvements	(11,137,613)	(1,010,326)	-	(12,147,939)
Equipment and furniture	(1,607,771)	(389,501)	-	(1,997,272)
Vehicles	(806,174)	(94,351)	-	(900,525)
<i>Total accumulated depreciation</i>	<u>(13,688,033)</u>	<u>(1,513,012)</u>	<u>-</u>	<u>(15,201,045)</u>
Total capital assets, net	<u>\$ 25,880,155</u>	<u>\$ (772,363)</u>	<u>\$ (116,110)</u>	<u>\$ 24,991,682</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,262,556
Special	21,120
<u>Support services:</u>	
Pupil	223
Instructional staff	43,367
Administration	15,741
Fiscal	2,247
Operations and maintenance	18,361
Pupil transportation	99,372
Other non-instructional services	940
Extracurricular activities	41,413
Food service operations	<u>7,672</u>
Total depreciation expense	<u>\$ 1,513,012</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into leases for copiers and fitness equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statement.

Capital assets consisting of copiers and fitness equipment have been capitalized in the amount of \$459,590. This amount represents the present values of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$60,465 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	72,188
2010	<u>72,188</u>
Total minimum lease payments	144,376
Less: amount representing interest	<u>(10,015)</u>
Total	<u>\$ 134,361</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LEASE-PURCHASE AGREEMENTS

On June 30, 2004, the District entered into a \$439,000 lease-purchase agreement with Columbus Regional Airport Authority to finance the construction, enlarging or other improvement, furnishing and equipping, lease and eventual acquisition, of various building improvements on District sites. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2008, the District made \$30,000 in principal payments and \$18,416 in interest payments on the lease-purchase agreement.

On December 29, 2005, the District entered into an \$814,324 lease-purchase agreement with Apple Computer, Inc. to finance the acquisition of computer equipment. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2008, the District made \$155,143 in principal payments and \$23,182 in interest payments on the lease-purchase agreement.

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

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreements and the present value of the minimum lease payments as of June 30, 2008.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 226,228
2010	226,667
2011	47,683
2012	46,970
2013	47,208
2014 - 2017	<u>186,343</u>
Total minimum lease payments	781,099
Less: amount representing interest	<u>(113,349)</u>
Total	<u>\$ 667,750</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations during the year consisted of the following:

	Balance <u>6/30/07</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/08</u>	Amount Due Within <u>One Year</u>
<u>Governmental activities:</u>					
<u>G.O. Bonds - Series 1999</u>					
Capital appreciation bonds	\$ 1,848,576	\$ -	\$ -	\$ 1,848,576	\$ -
Accreted interest on bonds	1,769,279	316,341	-	2,085,620	-
Current interest refunding bonds	3,585,000	-	(655,000)	2,930,000	685,000
<u>G.O. Refunding Bonds - Series 2005</u>					
Current interest bonds	10,900,000	-	(1,035,000)	9,865,000	1,110,000
Capital appreciation bonds	2,199,979	-	-	2,199,979	-
Accreted interest on bonds	242,497	120,606	-	363,103	-
Lease purchase agreements	852,893	-	(185,143)	667,750	193,514
Capital lease obligations	194,826	-	(60,465)	134,361	64,837
Compensated absences	<u>963,944</u>	<u>405,019</u>	<u>(161,400)</u>	<u>1,207,563</u>	<u>359,838</u>
Total	<u>\$ 22,556,994</u>	<u>\$ 841,966</u>	<u>\$ (2,097,008)</u>	21,301,952	<u>\$ 2,413,189</u>
Unamortized premium on refunding bonds				305,580	
Unamortized deferred charges on refunding bonds				<u>(717,801)</u>	
Total long-term liabilities on statement of net assets				<u>\$ 20,889,731</u>	

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The advance refunding issue is comprised of both current interest bonds, par value \$12,840,000, and capital appreciation bonds, par value \$2,199,979. The average interest rate on the current interest bonds is 3.90%. The capital appreciation bonds mature December 1, 2016 and December 1, 2017 (effective interest rate 4.878%) at a redemption price equal to 100% of the principal, plus accreted interest to the redemption date. The present value (as of the issue date) reported on the statement of net assets at June 30, 2008 is \$2,199,979. Total accreted interest of \$363,103 has been included on the statement of net assets.

Lease Purchase Agreements: See Note 10 for details.

Capital Lease Obligations: See Note 9 for details.

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

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	<u>General Obligation Bonds - Series 1999</u>					
	<u>Current Interest Refunding Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 685,000	\$ 804,182	\$ 1,489,182	\$ -	\$ -	\$ -
2010	715,000	742,983	1,457,983	-	-	-
2011	750,000	677,433	1,427,433	-	-	-
2012	780,000	608,663	1,388,663	-	-	-
2013	-	-	-	538,070	1,086,930	1,625,000
2014 - 2016	-	-	-	1,310,506	3,549,494	4,860,000
Total	<u>\$ 2,930,000</u>	<u>\$ 2,833,261</u>	<u>\$ 5,763,261</u>	<u>\$ 1,848,576</u>	<u>\$ 4,636,424</u>	<u>\$ 6,485,000</u>

Fiscal Year Ending June 30,	<u>General Obligation Refunding Bonds - Series 2005</u>					
	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,110,000	\$ 432,102	\$ 1,542,102	\$ -	\$ -	\$ -
2010	565,000	393,252	958,252	-	-	-
2011	620,000	373,477	993,477	-	-	-
2012	680,000	351,778	1,031,778	-	-	-
2013	-	326,278	326,278	-	-	-
2014 - 2018	375,000	1,594,514	1,969,514	2,199,979	1,755,021	3,955,000
2019 - 2023	4,475,000	993,740	5,468,740	-	-	-
2024 - 2026	2,040,000	185,000	2,225,000	-	-	-
Total	<u>\$ 9,865,000</u>	<u>\$ 4,650,141</u>	<u>\$ 14,515,141</u>	<u>\$ 2,199,979</u>	<u>\$ 1,755,021</u>	<u>\$ 3,955,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margins

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

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

The effects of these debt limitations at June 30, 2008 are a legal voted debt margin of \$15,229,604 (including available funds of \$3,249,687), a legal unvoted debt margin of \$320,261 and a legal energy conservation debt margin of \$2,214,597.

NOTE 12 - RISK MANAGEMENT

- A.** The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2008, the District purchased commercial coverage for property and general liability insurance, including boilers and machinery valued at \$70,365,000 with a \$1,000,000 single occurrence limit and a \$1,000 deductible.

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

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2007.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$409,135, \$408,681, and \$376,478, respectively; 50.96 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,918,574, \$1,791,288, and \$1,754,104, respectively; 83.10 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$30,608 made by the District and \$60,204 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 2008, 4.18 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 2008, this amount was \$35,800.

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 District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$253,231, \$192,856, and \$184,670, respectively; 50.96 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$29,479, \$27,790, and \$29,965, respectively; 50.96 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$147,583, \$137,791, and \$134,931, respectively; 83.10 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 514,325
Net adjustment for revenue accruals	68,161
Net adjustment for expenditure accruals	(456,468)
Net adjustment for other financing sources/uses	(100,837)
Adjustment for encumbrances	29,274
GAAP basis	\$ 54,455

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2007	\$ (1,202,316)	\$ (16,411,863)	\$ 123,223
Current year set-aside requirement	531,705	531,705	-
Current year qualifying expenditures	<u>(682,002)</u>	<u>(415,215)</u>	<u>-</u>
Set-aside balance as of June 30, 2008	<u>\$ (1,352,613)</u>	<u>\$ (16,295,373)</u>	<u>\$ 123,223</u>
Set-aside balance carried forward to FY2009	<u>\$ (1,352,613)</u>	<u>\$ (14,710,724)</u>	<u>\$ 123,223</u>

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

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

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

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

EDGEWOOD CITY SCHOOL DISTRICT
Butler County

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture				
<i>Passed through the Ohio Department of Education</i>				
Food Donation	N/A	10.550	\$ 62,440	\$ 62,440
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	05-PU	10.553	77,540	77,540
National School Lunch Program	LLP4	10.555	383,248	383,248
Child Nutrition Cluster Total			<u>460,788</u>	<u>460,788</u>
Child and Adult Care Food Program	CCMO	10.558	1,756	1,756
Total United States Department of Agriculture			<u>524,984</u>	<u>524,984</u>
United States Department of Education				
<i>Passed through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	C1S1	84.010	265,785	244,704
<i>Special Education Cluster:</i>				
Special Education - Grants to States	6BSF	84.027	1,060,335	1,065,922
Special Education - Preschool Grants	PGS1	84.173	11,552	12,110
Special Education Cluster Total			<u>1,071,887</u>	<u>1,078,032</u>
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	13,134	12,497
State Grants for Innovative Programs	C2S1	84.298	12,852	12,852
Education Technology State Grants	TJS1	84.318	3,689	3,817
Improving Teacher Quality State Grants	TRS1	84.367	89,630	83,966
Total United States Department of Education			<u>1,456,977</u>	<u>1,435,868</u>
Total Federal Awards			<u>\$ 1,981,961</u>	<u>\$ 1,960,852</u>

NA - Pass Through Entity Number is Not Available

N - Direct from the Federal Government

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - BASIS OF ACCOUNTING

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Caudill & Associates, CPA's
725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Education
Edgewood City School District
3500 Busenbark Road
Trenton, Ohio 4507

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information of the District of Edgewood City School District, Ohio (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's financial statements and have issued our report thereon dated April 17, 2009. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

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

Board of Education
Edgewood City School District

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the District's management in a separate letter dated April 17, 2009.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School District's management, Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

April 17, 2009

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Edgewood City School District
3500 Busenbark Road
Trenton, Ohio 4507

Compliance

We have audited the compliance of Edgewood City School District, Ohio (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance, in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Members of Board of Education
Edgewood City School District

**Report on Compliance with Requirements Applicable to Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the 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 that might be 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.

This report is intended solely for the information and use of the School District's management, District Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
April 17, 2009

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other Significant Control Deficiency(ies) reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiency(ies) in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<i>Child Nutrition Cluster: CFDA 10.553 – School Breakfast Program and CFDA 10.555 – National School Lunch Program and Special Education Cluster: CFDA 84.027 – Special Education – Grants to States and CFDA – 84.173 – Special Education – Preschool Grants</i>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO
AP: 7/1/07 – 6/30/08**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2008**

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

None

3. FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED JUNE 30, 2008**

No prior year findings noted.



Mary Taylor, CPA
Auditor of State

EDGEWOOD CITY SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 23, 2009**