

EDGEWOOD CITY SCHOOL DISTRICT

Basic Financial Statements
Year Ended June 30, 2007
with Independent Auditors' Report



CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Edgewood City School District, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2007. 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

March 3, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Edgewood City School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood City School District (the School District) as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2009 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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.

The Management's Discussion and Analysis on pages 3 through 12 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.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 the 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.

Clark, Scharfer, Haeckel & Co.

Middletown, Ohio
January 26, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$2,389,794 which represents a 29.94% increase from 2006.
- General revenues accounted for \$31,149,589 in revenue or 91.00% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$3,081,138 or 9.00% of total revenues of \$34,230,727.
- The District had \$31,840,933 in expenses related to governmental activities; only \$3,081,138 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 \$31,149,589 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 \$28,468,844 in revenues, and \$26,435,361 in expenditures. During fiscal 2007, the general fund's fund balance increased \$2,033,483 from \$974,966 to \$3,008,449.
- The District's other major governmental fund the debt service fund had \$2,779,688 in revenues and \$2,285,286 in expenditures. During fiscal 2007, the debt service fund's fund balance increased \$494,402 from \$2,358,928 to \$2,853,330.

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, 2007

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 2007?" 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 13-14 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 15-19 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 20 and 21. 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, 2007**

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 22-47 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 2007 and 2006.

| | Net Assets | |
|--|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| | <u>2007</u> | <u>2006</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 25,722,822 | \$ 21,005,018 |
| Capital assets | <u>25,880,155</u> | <u>26,804,598</u> |
| Total assets | <u>51,602,977</u> | <u>47,809,616</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 19,120,231 | 16,303,852 |
| Long-term liabilities | <u>22,110,861</u> | <u>23,523,673</u> |
| Total liabilities | <u>41,231,092</u> | <u>39,827,525</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 6,745,014 | 5,399,829 |
| Restricted | 3,334,612 | 2,825,203 |
| Unrestricted (deficit) | <u>292,259</u> | <u>(242,941)</u> |
| Total net assets | <u>\$ 10,371,885</u> | <u>\$ 7,982,091</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$10,371,885.

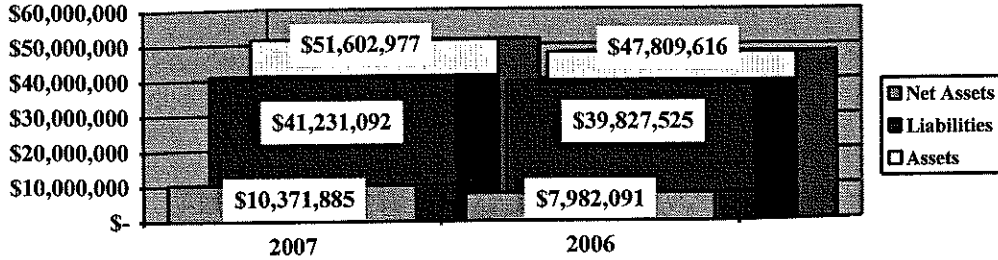
At year-end, capital assets represented 50.15% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$6,745,014. These 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, \$3,334,612, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$292,259.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Governmental Activities



The table below shows the change in net assets for fiscal years 2007 and 2006.

Change in Net Assets

| | Governmental Activities <u>2007</u> | Governmental Activities <u>2006</u> |
|------------------------------------|---|---|
| Revenues | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,307,265 | \$ 1,299,758 |
| Operating grants and contributions | 1,738,545 | 1,661,288 |
| Capital grants and contributions | 35,328 | - |
| General revenues: | | |
| Property taxes | 13,447,035 | 13,223,439 |
| Grants and entitlements | 16,238,543 | 14,661,640 |
| Investment earnings | 435,862 | 286,547 |
| Other | <u>1,028,149</u> | <u>1,030,182</u> |
| Total revenues | <u>\$ 34,230,727</u> | <u>\$ 32,162,854</u> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Change in Net Assets

| | <u>Governmental Activities 2007</u> | <u>Governmental Activities 2006</u> |
|--|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 13,483,107 | \$ 12,797,188 |
| Special | 3,277,189 | 3,118,588 |
| Other | 34,741 | 42,235 |
| Support services: | | |
| Pupil | 2,385,665 | 2,436,469 |
| Instructional staff | 2,444,551 | 2,194,415 |
| Board of education | 210,142 | 177,038 |
| Administration | 2,052,794 | 1,932,806 |
| Fiscal | 836,057 | 816,984 |
| Business | 143,640 | 149,607 |
| Operations and maintenance | 2,513,330 | 2,449,836 |
| Pupil transportation | 1,206,872 | 1,382,344 |
| Central | 234,495 | 215,264 |
| Operations of non-instructional services | 34,613 | 20,492 |
| Food service operations | 1,276,693 | 1,260,975 |
| Extracurricular activities | 560,298 | 551,872 |
| Interest and fiscal charges | <u>1,146,746</u> | <u>1,160,222</u> |
| Total expenses | <u>31,840,933</u> | <u>30,706,335</u> |
| Change in net assets | 2,389,794 | 1,456,519 |
| Net assets at beginning of year | <u>7,982,091</u> | <u>6,525,572</u> |
| Net assets at end of year | <u>\$ 10,371,885</u> | <u>\$ 7,982,091</u> |

Governmental Activities

Net assets of the District's governmental activities increased \$2,389,794. Total governmental expenses of \$31,840,933 were offset by program revenues of \$3,081,138 and general revenues of \$31,149,589. Program revenues supported 9.68% 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 86.72% of total governmental revenue. Real estate property is reappraised every six years.

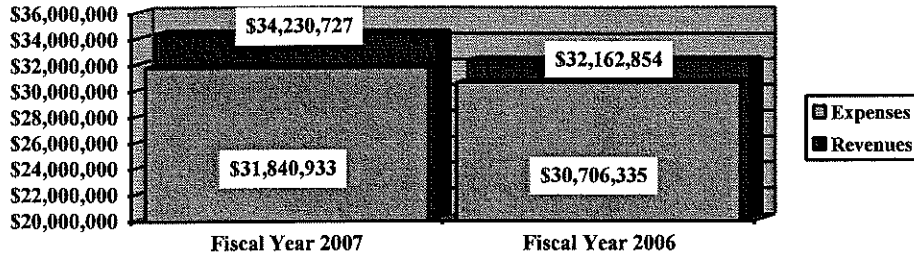
The District's financial condition has improved moderately in recent years, primarily due to increased financial support from the state. Future increases in state funding are projected to be more inflationary rather than the significant increases seen over the past several years. The District is projecting 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, 2007**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.

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

| | Total Cost of Services 2007 | Net Cost of Services 2007 | Total Cost of Services 2006 | Net Cost of Services 2006 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 13,483,107 | \$ 13,022,700 | \$ 12,797,188 | \$ 12,396,472 |
| Special | 3,277,189 | 2,947,797 | 3,118,588 | 2,839,761 |
| Other | 34,741 | 34,631 | 42,235 | 42,130 |
| Support services: | | | | |
| Pupil | 2,385,665 | 1,660,113 | 2,436,469 | 1,773,144 |
| Instructional staff | 2,444,551 | 2,327,574 | 2,194,415 | 1,999,366 |
| Board of education | 210,142 | 209,475 | 177,038 | 176,597 |
| Administration | 2,052,794 | 2,027,011 | 1,932,806 | 1,889,572 |
| Fiscal | 836,057 | 833,498 | 816,984 | 815,059 |
| Business | 143,640 | 143,182 | 149,607 | 149,237 |
| Operations and maintenance | 2,513,330 | 2,472,126 | 2,449,836 | 2,425,428 |
| Pupil transportation | 1,206,872 | 1,195,207 | 1,382,344 | 1,375,870 |
| Central | 234,495 | 154,725 | 215,264 | 133,181 |
| Operation of non-instructional services | 34,613 | 34,555 | 20,492 | 20,475 |
| Food service operations | 1,276,693 | 86,024 | 1,260,975 | 81,470 |
| Extracurricular activities | 560,298 | 464,431 | 551,872 | 467,305 |
| Interest and fiscal charges | 1,146,746 | 1,146,746 | 1,160,222 | 1,160,222 |
| Total | \$ 31,840,933 | \$ 28,759,795 | \$ 30,706,335 | \$ 27,745,289 |

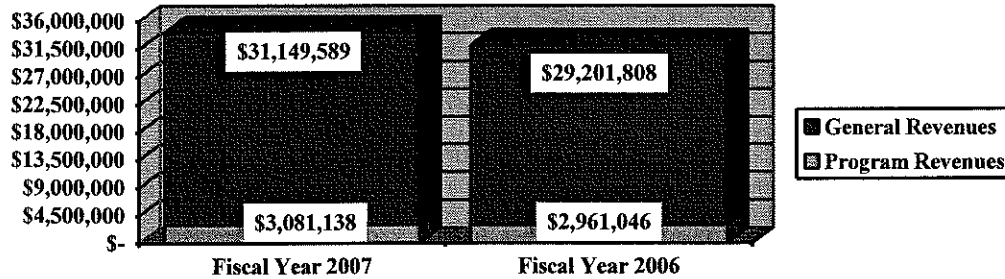
The dependence upon tax and other general revenues for governmental activities is apparent, 95.30% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.32%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.

Governmental Activities - General and Program Revenues

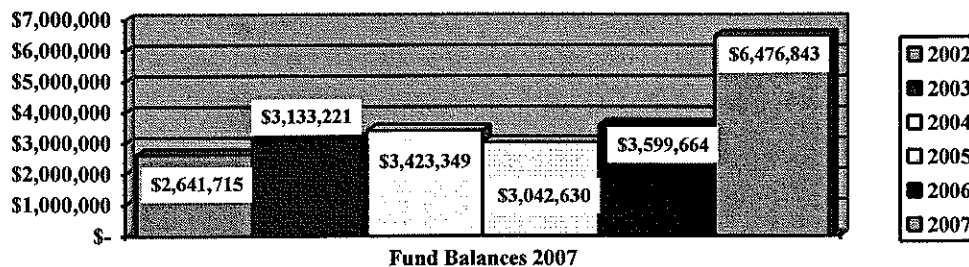


The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$6,476,843, which is higher than last year's total of \$3,599,664. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

| | Fund Balance June 30, 2007 | Fund Balance June 30, 2006 | Increase | Percentage Change |
|--------------------|-------------------------------|-------------------------------|---------------------|----------------------|
| General | \$ 3,008,449 | \$ 974,966 | \$ 2,033,483 | 208.57 % |
| Debt service | 2,853,330 | 2,358,928 | 494,402 | 20.96 % |
| Other Governmental | 615,064 | 265,770 | 349,294 | 131.43 % |
| Total | \$ 6,476,843 | \$ 3,599,664 | \$ 2,877,179 | 79.93 % |

Governmental Activities - Fund Balance



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

General Fund

The District's general fund balance increased \$2,033,483. The increase in fund balance can be attributed to general fund revenues increasing 9.95% and still being more than decreased expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | 2007 <u>Amount</u> | 2006 <u>Amount</u> | Increase (Decrease) | Percentage Change |
|---|-----------------------------|-----------------------------|----------------------------|----------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 11,565,055 | \$ 10,550,639 | \$ 1,014,416 | 9.61 % |
| Tuition | 79,571 | 53,930 | 25,641 | 47.54 % |
| Earnings on investments | 423,571 | 268,129 | 155,442 | 57.97 % |
| Intergovernmental | 15,617,332 | 14,197,775 | 1,419,557 | 10.00 % |
| Other revenues | 783,315 | 823,089 | (39,774) | (4.83) % |
| Total | <u>\$ 28,468,844</u> | <u>\$ 25,893,562</u> | <u>\$ 2,575,282</u> | 9.95 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 14,731,153 | \$ 14,521,973 | \$ 209,180 | 1.44 % |
| Support services | 10,955,757 | 10,419,647 | 536,110 | 5.15 % |
| Operation of non-instructional services | 18,148 | 6,541 | 11,607 | 177.45 % |
| Extracurricular activities | 431,644 | 399,015 | 32,629 | 8.18 % |
| Capital outlay | - | 814,324 | (814,324) | (100.00) % |
| Debt service | 298,659 | 300,120 | (1,461) | (0.49) % |
| Total | <u>\$ 26,435,361</u> | <u>\$ 26,461,620</u> | <u>\$ (26,259)</u> | (0.10) % |

The increase in taxes was due to increased collections in Butler County. The increase in intergovernmental revenue was due to increased support from the state. Investment earnings increased due to increasing interest rates and more money to invest. All other revenues were comparable to 2006. The decrease in capital outlay was due to the District having entered into a capital lease in 2006. Instruction the largest expenditure line item increased slightly due to regular pay increases. All other expenditures were comparable to 2006.

Debt Service Fund

The District's debt service fund, fund balance increased by \$494,402.

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 2007, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$28,951,225, which was higher than the original budgeted revenues estimate of \$28,914,119. Actual revenues and other financing sources for fiscal 2007 was \$28,951,225. This was the same as final budgeted revenues.

General fund final appropriations (appropriated expenditures plus other financing uses) of \$26,592,879 were lower than the original budgeted appropriations estimate of \$27,569,657. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$26,592,879, which was the same as the final budget appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$25,880,155 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

| | Capital Assets at June 30 (Net of Depreciation) | |
|---------------------------|--|-----------------------------|
| | <u>Governmental Activities</u> | |
| | <u>2007</u> | <u>2006</u> |
| Land | \$ 183,689 | \$ 183,689 |
| Land improvements | 400,162 | 418,997 |
| Building and improvements | 23,026,564 | 24,024,286 |
| Furniture and equipment | 1,269,269 | 1,405,138 |
| Vehicles | 953,271 | 772,488 |
| Construction in progress | <u>47,200</u> | <u>-</u> |
| Total | <u>\$ 25,880,155</u> | <u>\$ 26,804,598</u> |

The overall decrease in capital assets of \$924,443 is primarily due to depreciation expense of \$1,449,866 exceeding capital outlays of \$525,423 in fiscal 2007.

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

Debt Administration

At June 30, 2007, the District had \$20,545,331 in general obligation bonds outstanding. Of this total, \$1,690,000 is due within one year and \$18,855,331 is due within greater than one year. The following table summarizes the bonds outstanding.

| | <u>Governmental Activities 2007</u> | <u>Governmental Activities 2006</u> |
|----------------------------|---|---|
| | General obligation bonds: | |
| Refunding bonds | \$ 14,485,000 | \$ 16,075,000 |
| Capital appreciation bonds | 4,048,555 | 4,048,555 |
| Accreted interest on bonds | <u>2,011,776</u> | <u>1,604,980</u> |
| Total | <u>\$ 20,545,331</u> | <u>\$ 21,728,535</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, 2007**

Current Financial Related Activities

Our District relies heavily upon property taxes, state funding, entitlements and grants. An increase in property tax was realized in calendar year 2007 due to the passage of an emergency levy of 6.9 mills August 2, 2007 and due to new construction growth. Additional property tax revenue was realized in our inside millage for calendar year 2007 because of the triennial update in tax year 2007. However, the future financial stability of the District is not without challenges.

We have made the necessary cuts in the past few years in our operating expenses to counter school funding challenges, increased enrollment, and the loss of four levies. The District has placed four 6.9 mill levies in recent months on the ballot and they have been defeated each time. Finally, in August 2007 we passed an emergency levy for five years and it will generate \$2,500,000 annually in new property taxes.

Enrollment continues to increase for the District creating yet another tough challenge. Enrollment increases are projected in FY07-FY09 of at least 75 students per year. These increases are impacting the capacity of our current school buildings. If these increases continue, the District will be faced with asking the voters to approve a bond levy for the building of a new school. And again, with yet another building, the District will face challenges with more operating expenses to pass to the voters.

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..." For fiscal years 2006 and 2007, the State passed the biennium budget HB66 which has impacted our District in many ways. The District is currently trying to determine what effect this budget and the Supreme Courts prior decisions will have on its future state funding and its financial operations.

The District does not anticipate a significant growth in state revenue. The concern is that, to meet requirements of the court, the state is requiring redistribution of commercial and industrial property tax. With approximately eight percent of taxes paid for the District coming from businesses and industry, this could have an impact on the residential taxpayers. With the passage of the emergency levy in August, the District does see a positive outlook on our five-year forecast with regards to a positive carryover.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's 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 the treasurer of 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, 2007**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents . . . | \$ 9,559,038 |
| Receivables: | |
| Taxes | 15,620,128 |
| Accounts | 8,575 |
| Intergovernmental | 353,960 |
| Unamortized bond issuance costs. | 156,676 |
| Prepayments | 6,024 |
| Materials and supplies inventory. | 18,421 |
| Capital assets: | |
| Land and construction-in-progress. | 230,889 |
| Depreciable capital assets, net | 25,649,266 |
| Capital assets, net. | 25,880,155 |
| Total assets | 51,602,977 |
| Liabilities: | |
| Accounts payable | 126,823 |
| Accrued wages and benefits | 2,556,136 |
| Pension obligation payable. | 674,605 |
| Intergovernmental payable | 183,663 |
| Unearned revenue | 15,454,694 |
| Accrued interest payable | 124,310 |
| Long-term liabilities: | |
| Due within one year. | 2,092,327 |
| Due within more than one year | 20,018,534 |
| Total liabilities | 41,231,092 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 6,745,014 |
| Restricted for: | |
| Capital projects | 246,583 |
| Debt service. | 2,749,410 |
| Locally funded programs. | 8,598 |
| State funded programs. | 100,202 |
| Federally funded programs. | 106,596 |
| Other purposes | 123,223 |
| Unrestricted. | 292,259 |
| Total net assets. | \$ 10,371,885 |

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, 2007

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|--|----------------------|--------------------------------------|--|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 13,483,107 | \$ 334,793 | \$ 90,286 | \$ 35,328 | \$ (13,022,700) |
| Special | 3,277,189 | 9,588 | 319,804 | - | (2,947,797) |
| Other | 34,741 | 110 | - | - | (34,631) |
| Support services: | | | | | |
| Pupil | 2,385,665 | 5,625 | 719,927 | - | (1,660,113) |
| Instructional staff | 2,444,551 | 13,588 | 103,389 | - | (2,327,574) |
| Board of education | 210,142 | 667 | - | - | (209,475) |
| Administration | 2,052,794 | 20,816 | 4,967 | - | (2,027,011) |
| Fiscal | 836,057 | 2,559 | - | - | (833,498) |
| Business | 143,640 | 458 | - | - | (143,182) |
| Operations and maintenance | 2,513,330 | 40,176 | 1,028 | - | (2,472,126) |
| Pupil transportation | 1,206,872 | 3,547 | 8,118 | - | (1,195,207) |
| Central | 234,495 | 373 | 79,397 | - | (154,725) |
| Operation of non-instructional services | 34,613 | 58 | - | - | (34,555) |
| Food service operations | 1,276,693 | 781,900 | 408,769 | - | (86,024) |
| Extracurricular activities | 560,298 | 93,007 | 2,860 | - | (464,431) |
| Interest and fiscal charges | 1,146,746 | - | - | - | (1,146,746) |
| Total governmental activities | \$ 31,840,933 | \$ 1,307,265 | \$ 1,738,545 | \$ 35,328 | (28,759,795) |

General Revenues:

| | |
|--|----------------------|
| Property taxes levied for: | |
| General purposes | 10,954,006 |
| Debt service | 2,042,133 |
| Permanent improvement | 450,400 |
| Other purposes | 496 |
| Grants and entitlements not restricted | |
| to specific programs | 16,238,543 |
| Investment earnings | 435,862 |
| Miscellaneous | 1,028,149 |
| Total general revenues | 31,149,589 |
| Change in net assets | 2,389,794 |
| Net assets at beginning of year | 7,982,091 |
| Net assets at end of year | \$ 10,371,885 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

| | <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 | \$ 5,897,102 | \$ 2,826,848 | \$ 711,865 | \$ 9,435,815 |
| Receivables: | | | | |
| Taxes | 12,474,314 | 2,310,884 | 834,930 | 15,620,128 |
| Accounts | 8,575 | - | - | 8,575 |
| Intergovernmental | - | - | 353,960 | 353,960 |
| Interfund loans | 149,863 | - | - | 149,863 |
| Prepayments | 6,024 | - | - | 6,024 |
| Materials and supplies inventory | - | - | 18,421 | 18,421 |
| Restricted assets: | | | | |
| Equity in pooled cash and cash equivalents | 123,223 | - | - | 123,223 |
| Total assets | <u>\$ 18,659,101</u> | <u>\$ 5,137,732</u> | <u>\$ 1,919,176</u> | <u>\$ 25,716,009</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 95,087 | \$ - | \$ 31,736 | \$ 126,823 |
| Accrued wages and benefits | 2,388,230 | - | 167,906 | 2,556,136 |
| Compensated absences payable | 38,845 | - | 3,311 | 42,156 |
| Pension obligation payable | 608,967 | - | 65,638 | 674,605 |
| Intergovernmental payable | 167,502 | - | 16,161 | 183,663 |
| Interfund loan payable | - | - | 149,863 | 149,863 |
| Deferred revenue | 4,693 | 1,047 | 45,486 | 51,226 |
| Unearned revenue | 12,347,328 | 2,283,355 | 824,011 | 15,454,694 |
| Total liabilities | <u>15,650,652</u> | <u>2,284,402</u> | <u>1,304,112</u> | <u>19,239,166</u> |
| Fund Balances: | | | | |
| Reserved for encumbrances | 57,094 | - | 98,616 | 155,710 |
| Reserved for BWC refunds | 123,223 | - | - | 123,223 |
| Reserved for materials and supplies inventory | - | - | 18,421 | 18,421 |
| Reserved for property tax unavailable for appropriation | 122,293 | 26,482 | 10,504 | 159,279 |
| Reserved for debt service | - | 2,826,848 | - | 2,826,848 |
| Reserved for prepayments | 6,024 | - | - | 6,024 |
| Unreserved, undesignated, reported in: | | | | |
| General fund | 2,699,815 | - | - | 2,699,815 |
| Special revenue funds | - | - | 253,589 | 253,589 |
| Capital projects funds | - | - | 233,934 | 233,934 |
| Total fund balances | <u>3,008,449</u> | <u>2,853,330</u> | <u>615,064</u> | <u>6,476,843</u> |
| Total liabilities and fund balances | <u>\$ 18,659,101</u> | <u>\$ 5,137,732</u> | <u>\$ 1,919,176</u> | <u>\$ 25,716,009</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, 2007

| | | |
|--|------------|----------------------|
| Total governmental fund balances | | \$ 6,476,843 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 25,880,155 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | |
| Taxes | \$ 6,155 | |
| Intergovernmental revenue | 45,071 | |
| Total | | 51,226 |
| Unamortized bond issuance costs are not recognized in the funds. | | 156,676 |
| Unamortized deferred charges on refundings are not recognized in the funds. | | 757,810 |
| Unamortized premiums on bond issuances are not recognized in the funds. | | (311,677) |
| 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 | 14,485,000 | |
| General obligation capital appreciation bonds | 6,060,331 | |
| Capital lease obligation | 194,826 | |
| Lease purchase agreement | 852,893 | |
| Compensated absences | 921,788 | |
| Accrued interest payable | 124,310 | |
| Total | | (22,639,148) |
| Net assets of governmental activities | | \$ 10,371,885 |

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, 2007

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 11,565,055 | \$ 2,158,477 | \$ 450,481 | \$ 14,174,013 |
| Tuition | 79,571 | - | - | 79,571 |
| Transportation fees | 3,563 | - | - | 3,563 |
| Earnings on investments | 423,571 | - | 23,884 | 447,455 |
| Charges for services | - | - | 781,900 | 781,900 |
| Extracurricular | - | - | 191,437 | 191,437 |
| Classroom materials and fees | - | - | 250,794 | 250,794 |
| Other local revenues | 779,752 | - | 248,397 | 1,028,149 |
| Intergovernmental - State | 15,580,723 | 621,211 | 255,477 | 16,457,411 |
| Intergovernmental - Federal | 36,609 | - | 1,763,355 | 1,799,964 |
| Total revenue | 28,468,844 | 2,779,688 | 3,965,725 | 35,214,257 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | 11,677,273 | - | 683,572 | 12,360,845 |
| Special | 3,019,139 | - | 283,821 | 3,302,960 |
| Other | 34,741 | - | - | 34,741 |
| Support Services: | | | | |
| Pupil | 1,771,125 | - | 605,195 | 2,376,320 |
| Instructional staff | 2,286,038 | - | 129,676 | 2,415,714 |
| Board of education | 210,142 | - | - | 210,142 |
| Administration | 2,011,756 | - | 54,247 | 2,066,003 |
| Fiscal | 805,787 | 40,526 | 6,949 | 853,262 |
| Business | 144,054 | - | - | 144,054 |
| Operations and maintenance | 2,492,265 | - | 32,220 | 2,524,485 |
| Pupil transportation | 1,116,990 | - | 264,968 | 1,381,958 |
| Central | 117,600 | - | 116,817 | 234,417 |
| Operation of non-instructional services | 18,148 | - | 15,525 | 33,673 |
| Food service operations | - | - | 1,276,012 | 1,276,012 |
| Extracurricular activities | 431,644 | - | 89,121 | 520,765 |
| Facilities acquisition and construction | - | - | 61,543 | 61,543 |
| Debt service: | | | | |
| Principal retirement | 233,495 | 1,590,000 | - | 1,823,495 |
| Interest and fiscal charges | 65,164 | 654,760 | - | 719,924 |
| Total expenditures | 26,435,361 | 2,285,286 | 3,619,666 | 32,340,313 |
| Net change in fund balances | 2,033,483 | 494,402 | 346,059 | 2,873,944 |
| Fund balances at beginning of year | 974,966 | 2,358,928 | 265,770 | 3,599,664 |
| Increase in reserve for inventory | - | - | 3,235 | 3,235 |
| Fund balances at end of year | \$ 3,008,449 | \$ 2,853,330 | \$ 615,064 | \$ 6,476,843 |

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, 2007

Net change in fund balances - total governmental funds **\$ 2,873,944**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,449,866) exceeds capital outlays (\$525,423) in the current period. (924,443)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 3,235

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (983,530)

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. 1,823,495

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 | \$ | 10,349 |
| Accreted interest on capital appreciation bonds | | (406,796) |
| Amortization of bond issuance costs | | (8,246) |
| Amortization of bond premiums | | 16,404 |
| Amortization of deferred charge on refunding | | (38,533) |

Total (426,822)

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. 23,915

Change in net assets of governmental activities **\$ 2,389,794**

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, 2007

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 11,886,372 | \$ 11,717,879 | \$ 11,717,879 | \$ - |
| Tuition | 44,811 | 79,571 | 79,571 | - |
| Transportation fees | 6,727 | 3,148 | 3,148 | - |
| Earnings on investments | 300,000 | 409,714 | 409,714 | - |
| Other local revenues | 811,204 | 749,478 | 749,478 | - |
| Intergovernmental - State | 15,508,147 | 15,580,723 | 15,580,723 | - |
| Intergovernmental - Federal | 36,609 | 76,445 | 76,445 | - |
| Total revenue | 28,593,870 | 28,616,958 | 28,616,958 | - |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 13,232,670 | 11,966,721 | 11,966,721 | - |
| Special | 2,908,888 | 3,002,464 | 3,002,464 | - |
| Other | 41,009 | 36,407 | 36,407 | - |
| Support Services: | | | | |
| Pupil | 1,810,367 | 1,769,435 | 1,769,435 | - |
| Instructional staff | 2,031,745 | 2,227,677 | 2,227,677 | - |
| Board of education | 146,255 | 212,676 | 212,676 | - |
| Administration | 1,912,678 | 2,002,293 | 2,002,293 | - |
| Fiscal | 765,413 | 803,979 | 803,979 | - |
| Business | 154,877 | 144,237 | 144,237 | - |
| Operations and maintenance | 2,495,017 | 2,491,846 | 2,491,846 | - |
| Pupil transportation | 1,344,593 | 1,157,903 | 1,157,903 | - |
| Central | 137,341 | 131,659 | 131,659 | - |
| Operation of non-instructional services | 7,367 | 15,411 | 15,411 | - |
| Extracurricular activities | 429,350 | 431,209 | 431,209 | - |
| Debt service: | | | | |
| Principal retirement | 30,450 | 29,000 | 29,000 | - |
| Interest and fiscal charges | 21,637 | 19,146 | 19,146 | - |
| Total expenditures | 27,469,657 | 26,442,063 | 26,442,063 | - |
| Excess of revenues over (under) expenditures | <u>1,124,213</u> | <u>2,174,895</u> | <u>2,174,895</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 1,530 | - | - | - |
| Advances in | 308,267 | 308,267 | 308,267 | - |
| Advances (out) | (100,000) | (150,816) | (150,816) | - |
| Refund of prior year expenditure | 10,452 | 26,000 | 26,000 | - |
| Total other financing sources (uses) | 220,249 | 183,451 | 183,451 | - |
| Net change in fund balance | 1,344,462 | 2,358,346 | 2,358,346 | - |
| Fund balance at beginning of year | 3,479,070 | 3,479,070 | 3,479,070 | - |
| Prior year encumbrances appropriated | 53,600 | 53,600 | 53,600 | - |
| Fund balance at end of year | \$ 4,877,132 | \$ 5,891,016 | \$ 5,891,016 | \$ - |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

| | <u>Private-Purpose Trust</u> | |
|---|----------------------------------|------------------|
| | <u>Scholarship</u> | <u>Agency</u> |
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ 5,511 | \$ 41,459 |
| Total assets | <u>5,511</u> | <u>\$ 41,459</u> |
| Liabilities: | | |
| Accounts payable | - | \$ 1,115 |
| Due to students | - | 40,344 |
| Total liabilities | <u>-</u> | <u>\$ 41,459</u> |
| Net Assets: | | |
| Held in trust for scholarships | <u>5,511</u> | |
| Total net assets | <u>\$ 5,511</u> | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | <u>Private-Purpose Trust</u> |
|---|----------------------------------|
| | <u>Scholarship</u> |
| Additions: | |
| Gifts and contributions | <u>\$ 330</u> |
| Total additions | <u>330</u> |
| Deductions: | |
| Scholarships awarded | <u>416</u> |
| Change in net assets | (86) |
| Net assets at beginning of year | <u>5,597</u> |
| Net assets at end of year | <u><u>\$ 5,511</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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 263 certified full-time teaching and administrative personnel and 175 non-certified personnel, who provide services to approximately 3,576 students and other community members.

The District ranks as the 117th largest by enrollment among the 876 public and community school districts 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). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association (SWOCA)

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.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. See Note 12.B. for additional information.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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.

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 Non-exchange 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, 2007**

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, 2007, but which were levied to finance fiscal year 2008 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, 2007 are recorded as deferred revenue in the fund financial statements and are reclassified to revenue in the government-wide 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 fair 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. Allocation 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. The following are the District's major governmental funds:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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 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 2007 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate 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 2007.
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 2007.
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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

During fiscal 2007, 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 share price, which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$423,571, which includes \$159,314 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, inventories are presented at the lower of cost or market 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, 2007

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

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

| <u>Description</u> | <u>Governmental Activities Estimated Lives</u> |
|----------------------------|--|
| 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 severance 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. A liability for severance 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 severance 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 severance payments has been calculated using pay rates in effect at June 30, 2007, 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, 2007

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, compensated absences, and contractually required pension contributions 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, 2007**

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

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

| | <u>Deficit</u> |
|--------------------------------------|----------------|
| <u>Nonmajor Governmental Funds</u> | |
| Food Service | \$ 99,266 |
| Entry Year Programs | 1,370 |
| Title V Innovative Education Program | 57 |
| Drug Free School Grant | 300 |

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. The deficit fund balances result from adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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.

Protection of 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2007, the carrying amount of all District deposits was \$36,252. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$100,000 of the District's bank balance of \$133,466 was covered by the Federal Deposit Insurance Corporation, while \$33,466 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

As of June 30, 2007, the District had the following investments and maturities:

| <u>Investment</u> | <u>Fair Market Value</u> | <u>Investment Maturities 6 months or less</u> |
|-------------------|------------------------------|---|
| STAR Ohio | \$ 9,569,756 | \$ 9,569,756 |
| Total | <u>\$ 9,569,756</u> | <u>\$ 9,569,756</u> |

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

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

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, 2007:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| STAR Ohio | \$ 9,569,756 | 100.00% |
| Total | <u>\$ 9,569,756</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 footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

| | |
|---|---------------------|
| <u>Cash and Investments per Note Disclosure</u> | |
| Carrying amount of deposits | \$ 36,252 |
| Investments | 9,569,756 |
| Total | <u>\$ 9,606,008</u> |
| <u>Cash and Investments per Statement of Net Assets</u> | |
| Governmental activities | \$ 9,559,038 |
| Private-purpose trust funds | 5,511 |
| Agency funds | 41,459 |
| Total | <u>\$ 9,606,008</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans consisted of the following, as reported in the fund financial statements at June 30, 2007:

| <u>Interfund loans receivable in the General fund from:</u> | <u>Amount</u> |
|---|---------------|
| Nonmajor governmental funds | \$ 149,863 |

The balance in the general fund represents interfund loans due from other funds that are expected to be repaid within the next fiscal year. The loans will be repaid once the anticipated revenues are received.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District's 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 located in the District. Property tax revenue received during calendar 2007 for real and public utility property taxes represents collections of calendar 2006 taxes. Property tax payments received during calendar 2007 for tangible personal property (other than public utility property) are for calendar 2007 taxes.

2007 real property taxes are levied after April 1, 2006 on the assessed value listed as of the prior January 1, 2006, the lien date. Assessed values are established by state law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true values; public utility real property is assessed at thirty-five percent of true value. 2007 public utility property taxes became a lien January 1, 2006, are levied after April 1, 2006 and are collected in 2007 with real property taxes.

2007 tangible personal property taxes are levied after April 1, 2006, on the values as of January 1, 2006. Collections are made in 2007. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage was reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009.

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 2006-2010, 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, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for the District for the year ended June 30, 2007 was \$46.59 per \$1,000.00 of assessed value for general operations, and \$6.00 per \$1,000.00 of assessed valuation for debt service. The assessed values of real and tangible personal property for tax year 2007 are as follows:

| | 2006 Second Half Collections | | 2007 First Half Collections | |
|----------------------------------|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Real estate property | \$ 305,142,870 | 77.07 | \$ 311,744,290 | 79.66 |
| Public utility personal property | 43,884,720 | 11.08 | 45,833,330 | 11.71 |
| Tangible personal property | <u>46,906,599</u> | <u>11.85</u> | <u>33,758,503</u> | <u>8.63</u> |
| Total assessed valuation | <u>\$ 395,934,189</u> | <u>100.00</u> | <u>\$ 391,336,123</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 June 2007 tangible personal property tax settlement was not received until July of 2007.

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, 2006. 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, 2007 was \$122,293 in the general fund, \$26,482 in the debt service fund and \$10,504 in the non-major permanent improvement fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2006 was \$275,117 in the general fund and \$55,828 in the debt service 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, 2007

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 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 | \$ 15,620,128 |
| Accounts | 8,575 |
| Intergovernmental | <u>353,960</u> |
| Total | <u>\$ 15,982,663</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, 2007 was as follows:

| | Balance <u>06/30/06</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>06/30/07</u> |
|--|----------------------------|---------------------|-------------------|----------------------------|
| <u>Governmental Activities:</u> | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 183,689 | \$ - | \$ - | \$ 183,689 |
| Construction in progress | <u>-</u> | <u>47,200</u> | <u>-</u> | <u>47,200</u> |
| <i>Total capital assets, not being depreciated</i> | <u>183,689</u> | <u>47,200</u> | <u>-</u> | <u>230,889</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 536,637 | - | - | 536,637 |
| Buildings and improvements | 34,154,075 | 10,102 | - | 34,164,177 |
| Equipment and furniture | 2,671,119 | 205,921 | - | 2,877,040 |
| Vehicles | <u>1,497,245</u> | <u>262,200</u> | <u>-</u> | <u>1,759,445</u> |
| <i>Total capital assets, being depreciated</i> | <u>38,859,076</u> | <u>478,223</u> | <u>-</u> | <u>39,337,299</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (117,640) | (18,835) | - | (136,475) |
| Buildings and improvements | (10,129,789) | (1,007,824) | - | (11,137,613) |
| Equipment and furniture | (1,265,981) | (341,790) | - | (1,607,771) |
| Vehicles | <u>(724,757)</u> | <u>(81,417)</u> | <u>-</u> | <u>(806,174)</u> |
| <i>Total accumulated depreciation</i> | <u>(12,238,167)</u> | <u>(1,449,866)</u> | <u>-</u> | <u>(13,688,033)</u> |
| Total capital assets, net | <u>\$ 26,804,598</u> | <u>\$ (924,443)</u> | <u>\$ -</u> | <u>\$ 25,880,155</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 1,242,559 |
| Special | 7,166 |
| <u>Support Services:</u> | |
| Pupil | 223 |
| Instructional staff | 34,368 |
| Administration | 9,371 |
| Fiscal | 1,397 |
| Operations and maintenance | 18,865 |
| Pupil transportation | 86,438 |
| Other non-instructional services | 940 |
| Extracurricular activities | 39,005 |
| Food service operations | <u>9,534</u> |
| Total depreciation expense | <u>\$ 1,449,866</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 2007 totaled \$56,389 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, 2007:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2008 | \$ 72,188 |
| 2009 | 72,188 |
| 2010 | <u>72,188</u> |
| Total minimum lease payments | 216,564 |
| Less: amount representing interest | <u>(21,738)</u> |
| Total | <u>\$ 194,826</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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 2007, the District made \$29,000 in principal payments and \$19,877 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 2007, the District made \$148,106 in principal payments and \$30,219 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, 2007.

| <u>Fiscal Year Ending June 30.</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2008 | \$ 226,741 |
| 2009 | 226,228 |
| 2010 | 226,667 |
| 2011 | 47,683 |
| 2012 | 46,970 |
| 2013 - 2017 | <u>233,551</u> |
| Total minimum lease payments | 1,007,840 |
| Less: amount representing interest | <u>(154,947)</u> |
| Total | <u>\$ 852,893</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS

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

| | Balance | | | Balance | Amount Due |
|---|----------------------|-------------------|-----------------------|----------------------|----------------------------------|
| | <u>6/30/06</u> | <u>Increases</u> | <u>Decreases</u> | <u>6/30/07</u> | <u>Within</u> <u>One Year</u> |
| Governmental Activities: | | | | | |
| <u>G.O. Bonds - Series 1999</u> | | | | | |
| Capital Appreciation Bonds | \$ 1,848,576 | \$ - | \$ - | \$ 1,848,576 | \$ - |
| Accreted Interest on Bonds | 1,477,415 | 291,864 | - | 1,769,279 | - |
| Current Interest Refunding Bonds | 4,210,000 | - | (625,000) | 3,585,000 | 655,000 |
| <u>G.O. Refunding Bonds - Series 2005</u> | | | | | |
| Current Interest Bonds | 11,865,000 | - | (965,000) | 10,900,000 | 1,035,000 |
| Capital Appreciation Bonds | 2,199,979 | - | - | 2,199,979 | - |
| Accreted Interest on Bonds | 127,565 | 114,932 | - | 242,497 | - |
| Lease Purchase Agreements | 1,029,999 | - | (177,106) | 852,893 | 185,143 |
| Capital lease obligations | 251,215 | - | (56,389) | 194,826 | 60,465 |
| Compensated Absences | 982,186 | 59,119 | (77,361) | 963,944 | 156,719 |
| Total | \$ 23,991,935 | \$ 465,915 | \$ (1,900,856) | 22,556,994 | \$ 2,092,327 |
| Unamortized premium on refunding bonds | | | | 311,677 | |
| Unamortized deferred charges on refunding bonds | | | | (757,810) | |
| Total Long-Term Liabilities on Statement of Net Assets | | | | \$ 22,110,861 | |

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, 2007

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, 2007 is \$2,199,979. Total accreted interest of \$242,497 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 from the fund that the employee's salary is paid from, which for the District is primarily the general fund.

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2007 are as follows:

| <u>Year Ended</u> | <u>General Obligation Bonds - Series 1999</u> | | | | | |
|-------------------|---|--------------------------|----------------------------|-----------------------------------|----------------------------|----------------------------|
| | <u>Current Interest Refunding Bonds</u> | | | <u>Capital Appreciation Bonds</u> | | |
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 655,000 | \$ 163,695 | \$ 818,695 | \$ - | \$ - | \$ - |
| 2009 | 685,000 | 134,875 | 819,875 | - | - | - |
| 2010 | 715,000 | 104,050 | 819,050 | - | - | - |
| 2011 | 750,000 | 71,160 | 821,160 | - | - | - |
| 2012 | 780,000 | 36,660 | 816,660 | - | - | - |
| 2013 - 2016 | - | - | - | 1,848,576 | 4,636,424 | 6,485,000 |
| Total | <u>\$ 3,585,000</u> | <u>\$ 510,440</u> | <u>\$ 4,095,440</u> | <u>\$ 1,848,576</u> | <u>\$ 4,636,424</u> | <u>\$ 6,485,000</u> |

| <u>Year Ended</u> | <u>General Obligation Refunding Bonds - Series 2005</u> | | | | | |
|-------------------|---|----------------------------|-----------------------------|-----------------------------------|----------------------------|----------------------------|
| | <u>Current Interest Bonds</u> | | | <u>Capital Appreciation Bonds</u> | | |
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2008 | \$ 1,035,000 | \$ 463,152 | \$ 1,498,152 | \$ - | \$ - | \$ - |
| 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 - 2017 | 375,000 | 1,610,077 | 1,985,077 | 1,113,979 | 841,021 | 1,955,000 |
| 2018 - 2022 | 3,795,000 | 1,170,955 | 4,965,955 | 1,086,000 | 914,000 | 2,000,000 |
| 2023 - 2026 | 2,720,000 | 318,500 | 3,038,500 | - | - | - |
| Total | <u>\$ 10,900,000</u> | <u>\$ 5,113,293</u> | <u>\$ 16,013,293</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, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

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, 2007 are a legal voted debt margin of \$14,757,676 (including available funds of \$2,826,848), a legal unvoted debt margin of \$355,889.

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 2007, the District purchased commercial coverage for property and general liability insurance, including boilers and machinery valued at \$71,195,904 with a \$1,000,000 single occurrence limit and a \$1,000 deductible.

Professional liability is protected by the Selective Insurance Company of South Carolina with a \$4,000,000 annual aggregate/\$2,000,000 single occurrence limit and a \$1,000 per claim deductible. Vehicles are covered by Selective Insurance Company of South Carolina and hold a \$500 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 2006.

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, 2007

NOTE 12 - RISK MANAGEMENT - (Continued)

B. OSBA Group Workers' Compensation Rating Program

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 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, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$436,471, \$406,443, and \$494,280, respectively. 49.89 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$218,733 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, 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 recommendation 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 fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,791,288, \$1,754,104, and \$1,811,735, respectively. 83.62 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$293,481 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$28,491 made by the District and \$55,202 made by the plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 13 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$137,791 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$192,856 to fund health care benefits, including the surcharge.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2007 were \$219.439 million. At June 30, 2007, SERS had net assets available for payment of health care benefits of \$386.4 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2007, SERS had 63,529 participants currently receiving health care benefits.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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:

| | <u>General Fund</u> |
|---|---------------------|
| Budget basis | \$ 2,358,346 |
| Net adjustment for revenue accruals | (148,114) |
| Net adjustment for expenditure accruals | (80,377) |
| Net adjustment for other financing sources/uses | (183,451) |
| Adjustment for encumbrances | <u>87,079</u> |
| GAAP basis | <u>\$ 2,033,483</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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, 2007, the reserve activity was as follows:

| | Instructional <u>Materials</u> | Capital <u>Maintenance</u> | BWC <u>Refunds</u> |
|---|-----------------------------------|-------------------------------|-----------------------|
| Set-aside balance as of June 30, 2006 | \$ (1,054,378) | \$(16,411,863) | \$ 123,223 |
| Current year set-aside requirement | 505,575 | 505,575 | - |
| Current year qualifying expenditures | <u>(653,513)</u> | <u>(581,523)</u> | <u>-</u> |
| Total | <u>\$ (1,202,316)</u> | <u>\$(16,487,811)</u> | <u>\$ 123,223</u> |
| Set-aside balance carried forward to FY2008 | <u>\$ (1,202,316)</u> | <u>\$(16,411,863)</u> | <u>\$ -</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, 2007 follows:

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

EDGEWOOD CITY SCHOOL DISTRICT
Schedule of Prior Audit Findings
Year Ended June 30, 2007

The prior audit disclosed no instances of noncompliance with requirements of major federal programs. In addition, no significant deficiencies or material weaknesses with respect to internal controls over compliance for major federal programs were reported in the prior year.

EDGEWOOD CITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

| <u>Federal Grantor/Program Title</u> | <u>Pass Through Entity Number</u> | <u>Federal CFDA Number</u> | <u>Federal Revenues</u> | <u>Federal Expenditures</u> |
|--|---|------------------------------------|-----------------------------|---------------------------------|
| <u>U.S. Department of Agriculture:</u> | | | | |
| <i>(Passed through Ohio Department of Education)</i> | | | | |
| Food Donation | N/A | 10.550 | \$ 62,769 | 62,769 |
| Nutrition Cluster: | | | | |
| School Breakfast Program | 05PU | 10.553 | 59,225 | 59,225 |
| National School Lunch Program | LLP4 | 10.555 | <u>311,155</u> | <u>311,155</u> |
| Nutrition Cluster Total | | | <u>370,380</u> | <u>370,380</u> |
| Child and Adult Care Food Program | CCMO | 10.558 | <u>1,910</u> | <u>1,910</u> |
| Total U.S. Department of Agriculture | | | <u>435,059</u> | <u>435,059</u> |
| <u>U.S. Department of Education:</u> | | | | |
| <i>(Passed through Ohio Department of Education)</i> | | | | |
| Title I Grants to Local Educational Agencies | C1S1 | 84.010 | 145,663 | 143,579 |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 6BSF | 84.027 | 783,352 | 705,489 |
| Special Education - Preschool Grants | PGS1/PGD7 | 84.173 | <u>3,138</u> | <u>34</u> |
| Special Education Cluster Total | | | <u>786,490</u> | <u>705,523</u> |
| Emergency Response Crisis Management | n/a | 84.184 | 91,356 | 56,308 |
| Safe and Drug-Free Schools and Communities - State Grants | DRS1 | 84.186 | 8,820 | 8,262 |
| State Grants for Innovative Programs | C2S1 | 84.298 | 499 | 4,988 |
| Education Technology State Grants | TJS1 | 84.318 | 128 | - |
| Improving Teacher Quality State Grants | TRS1 | 84.367 | <u>115,447</u> | <u>92,505</u> |
| Total U.S. Department of Education | | | 1,148,403 | 1,011,165 |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| <i>(Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)</i> | | | | |
| Community Alternative Funding System (CAFS) | n/a | 93.778 | <u>36,609</u> | <u>36,609</u> |
| Total U.S. Department of Health and Human Service | | | 36,609 | 36,609 |
| <u>Institute of Museum and Library Services</u> | | | | |
| <i>(Passed through the State Library of Ohio)</i> | | | | |
| Library Services and Technology Act | n/a | 45.310 | <u>72,862</u> | <u>-</u> |
| Total Institute of Museum and Library Services | | | <u>72,862</u> | <u>-</u> |
| Total Federal Awards | | | \$ <u>1,692,933</u> | <u>1,482,833</u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DONATION

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

**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:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgewood City School District (the School District) as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 26, 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 auditing procedures for the purpose of 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 entity'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 entity's financial statements 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 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 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 weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School 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*.

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We noted certain matters that we reported to management of the School District in a separate letter dated January 26, 2009.

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

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
January 26, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Edgewood City School District:

Compliance

We have audited the compliance of Edgewood City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The School District's major federal program is identified in the summary of auditors' 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 on the School District's compliance with those requirements.

In our opinion, the School 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, 2007.

Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective 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 the 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 control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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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 noncompliance 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 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 for the information of management, the Board of Education, and 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.

Clark, Schaefer, Hackett & Co.

Middletown, Ohio
January 26, 2009

EDGEWOOD CITY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2007

Section I - Summary of Auditors' Results

Financial Statements

| | |
|--|-------------|
| Type of report issued on financial statements: | unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | none |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | none |
| Noncompliance material to financial statements noted? | none |

Federal Awards

| | |
|---|-------------|
| Internal Control over major programs: | |
| Material weakness(es) identified? | none |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | none |
| Type of auditors' report issued on compliance for major programs: | unqualified |
| Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)? | none |
| Identification of major programs: | |
| <i>Special Education Cluster:</i> | |
| <i>CFDA 84.027 – Special Education - Grants to States</i> | |
| <i>CFDA 84.173 – Special Education - Preschool Grants</i> | |
| Dollar threshold to distinguish between Type A and Type B Programs: | \$300,000 |
| Auditee qualified as low-risk auditee? | yes |

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.



At **Clark Schaefer Hackett**, we are the sum of our individuals. Each team member's training and experience are well-suited for each client's purpose and goals. We are committed to providing insightful and customized service — from efficient compliance to sophisticated consulting — to help each client prosper today and plan for future success.

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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
MARCH 17, 2009**