

**EDGEWOOD CITY SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2005

With

Independent Auditors' Report





**Auditor of State  
Betty Montgomery**

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, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 27, 2006

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# EDGEWOOD CITY SCHOOL DISTRICT

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17-18
Statement of Revenues, Expenditures, and Changes in Fund Balance– Budget-Actual (Non-GAAP Budgetary Basis) – General Fund	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	21
Notes to the Basic Financial Statements	22-48
Additional Information:	
Schedule of Prior Audit Findings	49
Schedule of Expenditures of Federal Awards	50
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51 - 52
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	53 – 54
Schedule of Findings and Questioned Costs	55



Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## 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, 2005, 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, 2005, 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.

As described in Note 3, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosures* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2006 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.

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, Schaefer, Hachett & Co.*

Middletown, Ohio  
January 13, 2006

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The management's discussion and analysis of the Edgewood City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities increased \$308,870 which represents a 4.97% increase from 2004.
- General revenues accounted for \$26,184,624 in revenue or 89.40% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$3,103,853 or 10.60% of total revenues of \$29,288,477.
- The District had \$28,979,607 in expenses related to governmental activities; only \$3,103,853 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 \$26,184,624 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 \$24,912,018 in revenues and other financing sources and \$24,490,991 in expenditures. During fiscal 2005, the general fund's fund balance increased \$421,027 from \$307,673 to \$728,700.
- The District's other major governmental fund the debt service fund had \$17,071,155 in revenues and other financing sources and \$17,980,709 in expenditures and other financing uses. During fiscal 2005, the debt service fund's fund balance decreased \$909,554 from \$2,775,090 to \$1,865,536.

**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, 2005  
UNAUDITED

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" 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 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund 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, 2005  
UNAUDITED

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 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 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
<b><u>Assets</u></b>		
Current and other assets	\$ 19,789,808	\$ 15,804,494
Capital assets	<u>26,901,753</u>	<u>27,715,588</u>
Total assets	<u>46,691,561</u>	<u>43,520,082</u>
<b><u>Liabilities</u></b>		
Current liabilities	15,889,865	12,378,694
Long-term liabilities	<u>24,276,124</u>	<u>24,924,686</u>
Total liabilities	<u>40,165,989</u>	<u>37,303,380</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	4,471,395	4,802,829
Restricted	2,086,637	3,208,061
Unrestricted (deficit)	<u>(32,460)</u>	<u>(1,794,188)</u>
Total net assets	<u>\$ 6,525,572</u>	<u>\$ 6,216,702</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$6,525,572.

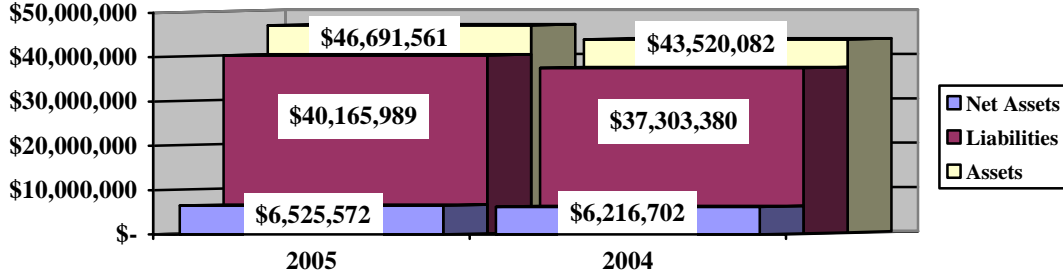
At year-end, capital assets represented 57.62% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$4,471,395. These capital assets are used 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, \$2,086,637, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$32,460.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2005 and 2004.

**Change in Net Assets**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,414,301	\$ 1,388,393
Operating grants and contributions	1,661,937	1,299,329
Capital grants and contributions	27,615	209,401
General revenues:		
Property taxes	10,246,788	11,064,314
Payments in-lieu of taxes	1,115,077	1,469,825
Grants and entitlements	14,486,018	13,477,833
Investment earnings	146,955	44,232
Other	<u>189,786</u>	<u>193,870</u>
Total revenues	<u>\$ 29,288,477</u>	<u>\$ 29,147,197</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Change in Net Assets**

	Governmental Activities 2005	(Restated) Governmental Activities 2004
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 13,007,387	\$ 12,448,226
Special	2,772,142	2,683,755
Other	13,834	15,687
Support services:		
Pupil	2,012,094	1,927,880
Instructional staff	2,080,955	2,225,484
Board of education	144,883	62,972
Administration	1,972,300	1,982,226
Fiscal	739,536	490,903
Business	158,258	163,758
Operations and maintenance	2,209,775	3,183,925
Pupil transportation	900,848	1,052,087
Central	169,966	173,575
Operations of non-instructional services	29,428	35,359
Extracurricular activities	511,280	1,149,612
Food service operations	1,197,059	588,222
Interest and fiscal charges	<u>1,059,862</u>	<u>1,034,413</u>
Total expenses	<u>28,979,607</u>	<u>29,218,084</u>
Change in net assets	308,870	(70,887)
Net assets at beginning of year (restated)	<u>6,216,702</u>	<u>6,287,589</u>
Net assets at end of year	<u>\$ 6,525,572</u>	<u>\$ 6,216,702</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$308,870. Total governmental expenses of \$28,979,607 were offset by program revenues of \$3,103,853 and general revenues of \$26,184,624. Program revenues supported 10.71% 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 84.45% of total governmental revenue. Real estate property is reappraised every six years.

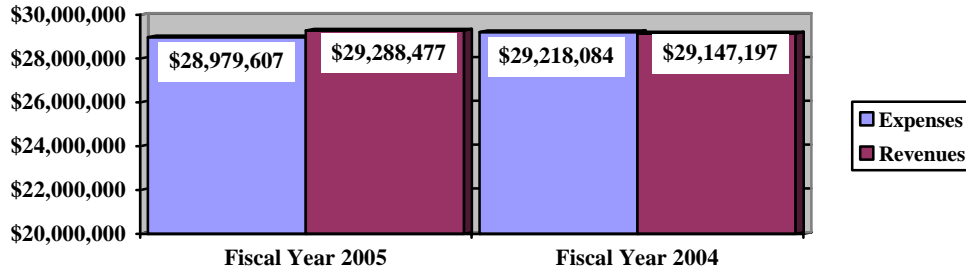
The District's financial condition has improved moderately in recent years, primarily due to increased financial support from the state. Future increases in state funding are projected to be more inflationary rather than the significant increases seen over the past several years. The District is projecting 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, 2005  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

**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 2005	Net Cost of Services 2005	(Restated) Total Cost of Services 2004	(Restated) Net Cost of Services 2004
<b>Program expenses</b>				
Instruction:				
Regular	\$ 13,007,387	\$ 12,555,068	\$ 12,448,226	\$ 11,710,162
Special	2,772,142	2,476,496	2,683,755	2,515,352
Other	13,834	13,834	15,687	15,687
Support services:				
Pupil	2,012,094	1,472,142	1,927,880	1,552,842
Instructional staff	2,080,955	1,844,955	2,225,484	1,983,508
Board of education	144,883	144,883	62,972	62,972
Administration	1,972,300	1,948,292	1,982,226	1,957,960
Fiscal	739,536	739,536	490,903	490,903
Business	158,258	158,258	163,758	163,758
Operations and maintenance	2,209,775	2,200,497	3,183,925	3,166,386
Pupil transportation	900,848	891,508	1,052,087	1,049,162
Central	169,966	140,125	173,575	146,335
Operation of non-instructional services	29,428	28,623	35,359	29,509
Food service operations	1,197,059	(3,699)	1,149,612	(23,856)
Extracurricular activities	511,280	205,374	588,222	465,868
Interest and fiscal charges	1,059,862	1,059,862	1,034,413	1,034,413
<b>Total</b>	<b>\$ 28,979,607</b>	<b>\$ 25,875,754</b>	<b>\$ 29,218,084</b>	<b>\$ 26,320,961</b>

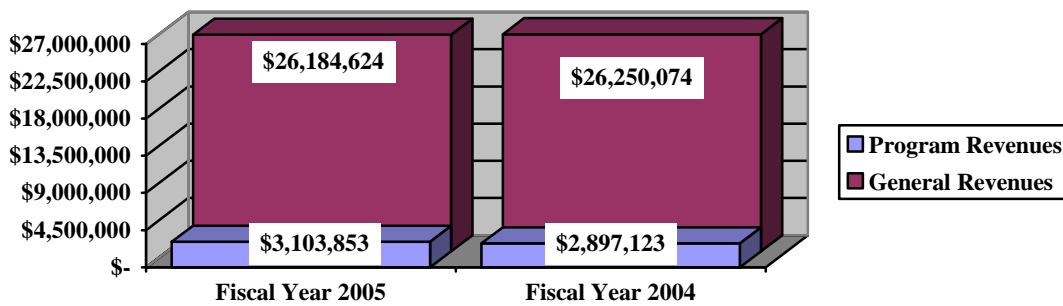
**EDGEWOOD CITY SCHOOL DISTRICT  
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 95.26% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.29%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.

**Governmental Activities - General and Program Revenues**

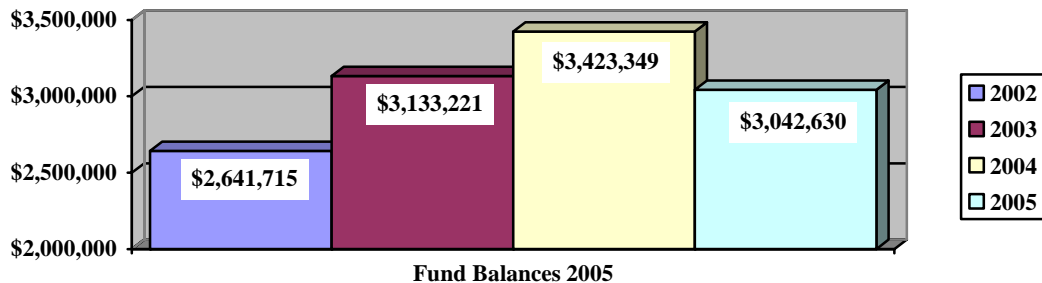


**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$3,042,630, which is lower than last year's restated total of \$3,423,349. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	(Restated) Fund Balance <u>June 30, 2004</u>	Increase (Decrease)	Percentage Change
General	\$ 728,700	\$ 307,673	\$ 421,027	136.84 %
Debt service	1,865,536	2,775,090	(909,554)	(32.78) %
Other Governmental	<u>448,394</u>	<u>340,586</u>	<u>107,808</u>	31.65 %
Total	<u>\$ 3,042,630</u>	<u>\$ 3,423,349</u>	<u>\$ (380,719)</u>	(11.12) %

**Governmental Activities - Fund Balance**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

***General Fund***

The District's general fund balance increased \$421,027. The increase in fund balance can be attributed to general fund balance revenues increasing 3.26%. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2005 <u>Amount</u>	(Restated) 2004 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 9,008,834	\$ 9,071,684	\$ (62,850)	(0.69) %
Tuition	40,119	70,752	(30,633)	(43.30) %
Earnings on investments	113,563	44,062	69,501	157.73 %
Intergovernmental	14,102,414	13,100,341	1,002,073	7.65 %
Other revenues	<u>1,343,285</u>	<u>1,544,750</u>	<u>(201,465)</u>	(13.04) %
Total	<u>\$ 24,608,215</u>	<u>\$ 23,831,589</u>	<u>\$ 776,626</u>	3.26 %
<b><u>Expenditures</u></b>				
Instruction	\$ 14,119,210	\$ 13,739,413	\$ 379,797	2.76 %
Support services	9,525,524	9,681,392	(155,868)	(1.61) %
Operation of non-instructional services	12,731	25,054	(12,323)	(49.19) %
Extracurricular activities	436,178	448,318	(12,140)	(2.71) %
Capital outlay	303,803	439,000	(135,197)	(30.80) %
Debt service	<u>93,545</u>	<u>55,399</u>	<u>38,146</u>	68.86 %
Total	<u>\$ 24,490,991</u>	<u>\$ 24,388,576</u>	<u>\$ 102,415</u>	0.42 %

***Debt Service Fund***

The District's debt service fund, fund balance decreased by \$909,554.

***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 2005, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$25,634,838, which was higher than the original budgeted revenues estimate of \$24,470,738. Actual revenues and other financing sources for fiscal 2005 was \$25,634,838. This represents a \$1,164,100 increase over original budgeted revenues. This increase is primarily due to conservative estimates for the original budgeted amounts.

General fund final appropriations (appropriated expenditures plus other financing uses) of \$24,227,518 were lower than the original budgeted appropriations estimate of \$24,755,000. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$24,227,518, which was \$527,482 less than the original budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the District had \$26,901,753 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 183,689	\$ 183,689
Land improvements	422,921	440,336
Building and improvements	25,032,172	26,040,594
Furniture and equipment	624,823	365,025
Vehicles	<u>638,148</u>	<u>685,944</u>
Total	<u>\$ 26,901,753</u>	<u>\$ 27,715,588</u>

The overall decrease in capital assets of \$813,835 is primarily due to depreciation expense of \$1,238,431 exceeding capital outlays of \$424,596 in fiscal 2005.

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

***Debt Administration***

At June 30, 2005, the District had \$22,932,473 in general obligation bonds outstanding. Of this total, \$1,580,000 is due within one year and \$21,352,473 is due within greater than one year. The following table summarizes the bonds and notes outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental	(Restated)
	Activities	Governmental
	<u>2005</u>	<u>2004</u>
General obligation bonds:		
Refunding bonds	\$ 17,655,000	\$ 5,395,000
Capital appreciation bonds	4,048,555	1,848,576
Accreted interest on bonds	1,228,918	964,894
Improvement bonds	<u>-</u>	<u>15,615,000</u>
Total	<u>\$ 22,932,473</u>	<u>\$ 23,823,470</u>

At June 30, 2005, the District's overall legal debt margin was \$12,622,346 with an unvoted debt margin of \$368,947.

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, 2005  
UNAUDITED

**Current Financial Related Activities**

Our District relies heavily upon property taxes, state funding, entitlements and grants. An increase in property tax will be realized in calendar year 2006 due to the passage of an emergency levy of 6.9 mills August 2, 2005 and due to new construction growth. Additional property tax revenue will be realized in our inside millage for calendar year 2006 because of the triennial update in tax year 2005. 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 2005 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 of at least 100 students in the 04-05 school years. Increases are projected in FY06-09 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 Mr. Randy Bertram, Treasurer, Edgewood City School District, 3500 Busenbark Road, Trenton, Ohio, 45067-9798.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,193,440
Receivables:	
Taxes . . . . .	13,224,370
Accounts . . . . .	1,783
Intergovernmental . . . . .	143,427
Accrued interest . . . . .	14,630
Amortized bond issuance costs. . . . .	173,168
Prepayments . . . . .	7,625
Materials and supplies inventory. . . . .	31,365
Capital assets:	
Land . . . . .	183,689
Depreciable capital assets, net . . . . .	26,718,064
Capital assets, net. . . . .	<u>26,901,753</u>
 Total assets . . . . .	 <u>46,691,561</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	60,121
Accrued wages and benefits . . . . .	2,316,972
Pension obligation payable. . . . .	640,611
Intergovernmental payable . . . . .	187,627
Deferred revenue . . . . .	12,556,863
Accrued interest payable . . . . .	127,671
Long-term liabilities:	
Due within one year. . . . .	1,866,876
Due within more than one year . . . . .	22,409,248
 Total liabilities . . . . .	 <u>40,165,989</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	4,471,395
Restricted for:	
Capital projects . . . . .	27,615
Debt service. . . . .	1,820,705
Locally funded programs. . . . .	12,353
State funded programs. . . . .	25,174
Federally funded programs. . . . .	77,567
Other purposes . . . . .	123,223
Unrestricted (deficit). . . . .	<u>(32,460)</u>
 Total net assets. . . . .	 <u>\$ 6,525,572</u>

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, 2005

	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
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 13,007,387	\$ 378,358	\$ 73,961	\$ -	\$ (12,555,068)
Special . . . . .	2,772,142	-	295,646	-	(2,476,496)
Other . . . . .	13,834	-	-	-	(13,834)
Support services:					
Pupil . . . . .	2,012,094	676	539,276	-	(1,472,142)
Instructional staff . . . . .	2,080,955	17,312	191,073	27,615	(1,844,955)
Board of education . . . . .	144,883	-	-	-	(144,883)
Administration . . . . .	1,972,300	7,757	16,251	-	(1,948,292)
Fiscal . . . . .	739,536	-	-	-	(739,536)
Business . . . . .	158,258	-	-	-	(158,258)
Operations and maintenance . . . . .	2,209,775	-	9,278	-	(2,200,497)
Pupil transportation . . . . .	900,848	6,791	2,549	-	(891,508)
Central . . . . .	169,966	-	29,841	-	(140,125)
Operation of non-instructional services . . . . .	29,428	-	805	-	(28,623)
Food service operations . . . . .	1,197,059	811,546	389,212	-	3,699
Extracurricular activities . . . . .	511,280	191,861	114,045	-	(205,374)
Interest and fiscal charges . . . . .	1,059,862	-	-	-	(1,059,862)
<b>Total governmental activities . . . . .</b>	<b>\$ 28,979,607</b>	<b>\$ 1,414,301</b>	<b>\$ 1,661,937</b>	<b>\$ 27,615</b>	<b>(25,875,754)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	8,986,913
Debt service . . . . .	1,259,875
Grants and entitlements not restricted	
to specific programs . . . . .	14,486,018
Investment earnings . . . . .	146,955
Payment in lieu of taxes . . . . .	1,115,077
Miscellaneous . . . . .	189,786
<b>Total general revenues . . . . .</b>	<b>26,184,624</b>
Change in net assets . . . . .	308,870
<b>Net assets at beginning of year (restated) . .</b>	<b>6,216,702</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 6,525,572</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 3,584,244	\$ 1,815,827	\$ 670,146	\$ 6,070,217
Receivables:				
Taxes . . . . .	11,229,557	1,994,813	-	13,224,370
Accounts . . . . .	1,074	-	709	1,783
Intergovernmental . . . . .	-	-	143,427	143,427
Accrued interest . . . . .	14,630	-	-	14,630
Interfund loans . . . . .	93,612	-	-	93,612
Prepayments . . . . .	7,625	-	-	7,625
Materials and supplies inventory . . . . .	-	-	31,365	31,365
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	123,223	-	-	123,223
Total assets . . . . .	\$ 15,053,965	\$ 3,810,640	\$ 845,647	\$ 19,710,252
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 48,118	\$ -	\$ 12,003	\$ 60,121
Accrued wages and benefits . . . . .	2,204,360	-	112,612	2,316,972
Compensated absences payable . . . . .	284,255	-	-	284,255
Pension obligation payable . . . . .	586,920	-	53,691	640,611
Intergovernmental payable . . . . .	175,655	-	11,972	187,627
Interfund loan payable . . . . .	-	-	93,612	93,612
Deferred revenue . . . . .	11,025,957	1,945,104	113,363	13,084,424
Total liabilities . . . . .	14,325,265	1,945,104	397,253	16,667,622
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	177,075	-	27,713	204,788
Reserved for BWC refunds . . . . .	123,223	-	-	123,223
Reserved for materials and supplies inventory . . . . .	-	-	31,365	31,365
Reserved for property tax unavailable for appropriation . . . . .	203,600	49,709	-	253,309
Reserved for debt service . . . . .	-	1,815,827	-	1,815,827
Reserved for prepayments . . . . .	7,625	-	-	7,625
Unreserved, undesignated, reported in:				
General fund . . . . .	217,177	-	-	217,177
Special revenue funds . . . . .	-	-	148,123	148,123
Capital projects funds . . . . .	-	-	241,193	241,193
Total fund balances . . . . .	728,700	1,865,536	448,394	3,042,630
Total liabilities and fund balances . . . . .	\$ 15,053,965	\$ 3,810,640	\$ 845,647	\$ 19,710,252

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, 2005

<b>Total governmental fund balances</b>		\$	3,042,630
<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.			26,901,753
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	414,198	
Intergovernmental revenue		<u>113,363</u>	
Total			527,561
Unamortized deferred charges on refundings are not recognized in the funds.			834,876
Unamortized premiums on bond and note issuances are not recognized in the funds.			(344,485)
Unamortized bond issuance costs are not recognized in the funds.			173,168
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 refunding bonds		17,655,000	
General obligation capital appreciation bonds		5,277,473	
Capital lease obligation		303,803	
Lease purchase agreement		423,000	
Compensated absences		822,984	
Accrued interest payable		<u>127,671</u>	
Total			<u>(24,609,931)</u>
<b>Net assets of governmental activities</b>		<b>\$</b>	<b><u><u>6,525,572</u></u></b>

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, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 9,008,834	\$ 1,263,815	\$ -	\$ 10,272,649
Tuition . . . . .	40,119	-	-	40,119
Transportation fees . . . . .	6,791	-	-	6,791
Earnings on investments . . . . .	113,563	22,868	10,524	146,955
Charges for services . . . . .	-	-	811,546	811,546
Extracurricular . . . . .	191,861	-	221,526	413,387
Classroom materials and fees . . . . .	-	-	236,278	236,278
Other local revenues . . . . .	29,556	-	189,733	219,289
Payment in lieu of taxes . . . . .	1,115,077	-	-	1,115,077
Intergovernmental - State . . . . .	13,898,590	383,604	169,034	14,451,228
Intergovernmental - Federal . . . . .	203,824	-	1,304,419	1,508,243
<b>Total revenue . . . . .</b>	<u>24,608,215</u>	<u>1,670,287</u>	<u>2,943,060</u>	<u>29,221,562</u>
<b>Expenditures:</b>				
Instruction:				
Regular . . . . .	11,588,611	-	507,453	12,096,064
Special . . . . .	2,516,765	-	261,463	2,778,228
Other . . . . .	13,834	-	-	13,834
Support Services:				
Pupil . . . . .	1,522,307	-	510,903	2,033,210
Instructional staff . . . . .	1,890,726	-	195,873	2,086,599
Board of education . . . . .	144,883	-	-	144,883
Administration . . . . .	1,939,254	-	27,624	1,966,878
Fiscal . . . . .	704,843	34,497	-	739,340
Business . . . . .	158,258	-	-	158,258
Operations and maintenance . . . . .	2,117,295	-	6,930	2,124,225
Pupil transportation . . . . .	890,936	-	5,239	896,175
Central . . . . .	157,022	-	27,984	185,006
Operation of non-instructional services . . . . .	12,731	-	16,697	29,428
Food service operations . . . . .	-	-	1,174,328	1,174,328
Extracurricular activities . . . . .	436,178	-	86,181	522,359
Facilities acquisition and construction . . . . .	-	-	10,344	10,344
Capital outlay . . . . .	303,803	-	-	303,803
Debt service:				
Principal retirement . . . . .	70,183	1,155,000	-	1,225,183
Interest and fiscal charges . . . . .	23,362	722,078	-	745,440
Bond issuance costs . . . . .	-	181,414	-	181,414
<b>Total expenditures . . . . .</b>	<u>24,490,991</u>	<u>2,092,989</u>	<u>2,831,019</u>	<u>29,414,999</u>
Excess of revenue over (under) expenditures . . . . .	<u>117,224</u>	<u>(422,702)</u>	<u>112,041</u>	<u>(193,437)</u>
<b>Other financing sources:</b>				
Premium/accr. Int. on bonds & notes sold . . . . .	-	360,889	-	360,889
Proceeds from sale of bonds . . . . .	-	15,039,979	-	15,039,979
Proceeds of capital lease transaction . . . . .	303,803	-	-	303,803
Payment to refunded bond escrow agent . . . . .	-	(15,887,720)	-	(15,887,720)
<b>Total other financing sources . . . . .</b>	<u>303,803</u>	<u>(486,852)</u>	<u>-</u>	<u>(183,049)</u>
Net change in fund balances . . . . .	421,027	(909,554)	112,041	(376,486)
<b>Fund balances at beginning of year</b>				
(restated) . . . . .	307,673	2,775,090	340,586	3,423,349
<b>Decrease in reserve for inventory . . . . .</b>	<u>-</u>	<u>-</u>	<u>(4,233)</u>	<u>(4,233)</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 728,700</u>	<u>\$ 1,865,536</u>	<u>\$ 448,394</u>	<u>\$ 3,042,630</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	(376,486)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,238,431) exceeds capital outlays (\$424,596) in the current period.		(813,835)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		(4,233)
Proceeds of lease purchase agreements are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets		(303,803)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		66,936
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		1,225,183
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in increased interest being reported on the statement of activities:		
Increase in accrued interest payable	\$	(45,712)
Accreted interest on capital appreciation bonds		(264,024)
Bond issuance costs incurred in the fiscal year		181,414
Amortization of bond and note issuance costs		(8,246)
Premium on bonds issued in the fiscal year		(360,889)
Amortization on bond and note premiums		16,404
Deferred charge on refunding incurred in fiscal year		847,720
Amortization of deferred charge on refunding		(12,844)
Total		353,823
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		161,285
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>308,870</b>

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, 2005

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 9,012,364	\$ 9,441,091	\$ 9,441,091	\$ -
Tuition . . . . .	38,297	40,119	40,119	-
Transportation fees . . . . .	6,576	6,889	6,889	-
Earnings on investments . . . . .	98,140	102,809	102,809	-
Extracurricular . . . . .	183,148	191,861	191,861	-
Other local revenues . . . . .	1,090,848	1,142,741	1,142,741	-
Intergovernmental - State . . . . .	13,267,443	13,898,590	13,898,590	-
Intergovernmental - Federal . . . . .	194,568	203,824	203,824	-
Total revenue . . . . .	<u>23,891,384</u>	<u>25,027,924</u>	<u>25,027,924</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	11,696,141	11,446,918	11,446,918	-
Special . . . . .	2,570,784	2,516,005	2,516,005	-
Other . . . . .	13,767	13,474	13,474	-
Support Services:				
Pupil . . . . .	1,536,144	1,503,412	1,503,412	-
Instructional staff . . . . .	1,928,512	1,887,419	1,887,419	-
Board of education . . . . .	157,929	154,564	154,564	-
Administration . . . . .	2,010,358	1,967,521	1,967,521	-
Fiscal . . . . .	735,349	719,680	719,680	-
Business . . . . .	163,459	159,976	159,976	-
Operations and maintenance . . . . .	2,248,706	2,200,790	2,200,790	-
Pupil transportation . . . . .	943,750	923,640	923,640	-
Central . . . . .	165,905	162,370	162,370	-
Operation of non-instructional services . . . . .	14,329	14,024	14,024	-
Extracurricular activities . . . . .	435,242	425,968	425,968	-
Debt service:				
Principal retirement . . . . .	38,975	38,145	38,145	-
Total expenditures . . . . .	<u>24,659,350</u>	<u>24,133,906</u>	<u>24,133,906</u>	<u>-</u>
Excess of revenues over (under) expenditures . . . . .	<u>(767,966)</u>	<u>894,018</u>	<u>894,018</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	867	908	908	-
Advances in . . . . .	168,968	177,006	177,006	-
Advances (out) . . . . .	(95,650)	(93,612)	(93,612)	-
Proceeds from lease purchase agreement . . . . .	409,519	429,000	429,000	-
Total other financing sources (uses) . . . . .	<u>483,704</u>	<u>513,302</u>	<u>513,302</u>	<u>-</u>
Net change in fund balance . . . . .	(284,262)	1,407,320	1,407,320	-
<b>Fund balance at beginning of year . . . . .</b>	<b>1,952,601</b>	<b>1,952,601</b>	<b>1,952,601</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>130,829</b>	<b>130,829</b>	<b>130,829</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 1,799,168</u></b>	<b><u>\$ 3,490,750</u></b>	<b><u>\$ 3,490,750</u></b>	<b><u>\$ -</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 6,357	\$ 30,479
Total assets . . . . .	6,357	\$ 30,479
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 1,058
Due to students . . . . .	-	29,421
Total liabilities . . . . .	-	\$ 30,479
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	6,357	
Total net assets . . . . .	\$ 6,357	

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, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions . . . . .	\$ 134
Total additions . . . . .	134
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,021
Change in net assets . . . . .	(887)
<b>Net assets at beginning of year . . . . .</b>	<b>7,244</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 6,357</b>

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, 2005**

**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 151 non-certified personnel and 248 certified full-time teaching and administrative personnel, who provide services to approximately 3,708 students and other community members.

The District ranks as the 120<sup>th</sup> largest by enrollment among the 614 public 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, foods 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, 2005

**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, 2005

**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 a reconciliation 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 exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or 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, 2005

**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.

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*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, 2005

**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.

The other governmental funds of the District account for food service operations and for 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 2005 is as follows:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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 issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the special cost center by fund, 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 2005.
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.

During fiscal 2005, investments were limited to a Fifth Third Bank money market fund and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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, 2005.

Investment earnings are assigned to the general fund and other funds authorized by Ohio statute or other legal provision. The following fund was credited with more interest revenue than would have been received based upon its share of the District’s investments:

	Interest Actually <u>Received</u>	Interest Based upon Share of <u>Investments</u>	Interest Assigned <u>from Other Funds</u>
General	\$ <u>113,563</u>	\$ <u>77,114</u>	\$ <u>36,449</u>

For presentation on the basic financial statements, investments of the cash management pool are considered to be cash equivalents. Investments 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, 2005

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

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

<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, 2005, 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, 2005

**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 adopted by the District 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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**P. Restricted Assets**

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

**Q. Interfund Activity**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 did have an effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004.

The District has also restated fund balance in the general fund at June 30, 2004 for the overstatement of expenditures related to the energy conservation project in the previous reporting period.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

In addition, the District has restated net assets of governmental activities at June 30, 2004 in order to properly account for the capital appreciation bonds, and the related accreted interest on the capital appreciation bonds, component of the general obligation bonds - series 1999.

The implementation of GASB Technical Bulletin No. 2004-2 and the aforementioned restatements had the following effects on fund balances and net assets as previously reported at June 30, 2004:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 77,877	\$ 2,775,090	\$ 384,661	\$ 3,237,628
GASB Technical Bulletin No. 2004-2	(199,204)	-	(44,075)	(243,279)
Energy Conservation Project	<u>429,000</u>	<u>-</u>	<u>-</u>	<u>429,000</u>
Restated Fund Balances, June 30, 2004	<u>\$ 307,673</u>	<u>\$ 2,775,090</u>	<u>\$ 340,586</u>	<u>\$ 3,423,349</u>

**Governmental Activities:**

	<u>Total</u>
Net Assets, June 30, 2004	\$ 6,752,596
Energy Conservation Project	429,000
Accreted Interest on Capital Appreciation Bonds	<u>(964,894)</u>
Restated Fund Balances, June 30, 2004	<u>\$ 6,216,702</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 28,213
Entry Year Program	225
Summer Intervention	27,686
Title VI-B	48,203
Title I	754
Title VI	227
Drug Free School Grant	878

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, 2005

**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);
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,

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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, 2005, the carrying amount of all District deposits was \$218,439. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$290,498 of the District's bank balance of \$390,498 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	Balance at <u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 1,975,852	\$ 1,975,852
Fifth Third Money Market	<u>4,035,985</u>	<u>4,035,985</u>
Total	<u>\$ 6,011,837</u>	<u>\$ 6,011,837</u>

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

*Credit Risk:* The District's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. 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, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,975,852	32.87%
Fifth Third Money Market	<u>4,035,985</u>	<u>67.13%</u>
Total	<u>\$ 6,011,837</u>	<u>100.00%</u>

**D. Reconciliation of Cash and Investment 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, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 218,439
Investments	<u>6,011,837</u>
Total	<u>\$ 6,230,276</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 6,193,440
Private-purpose trust funds	6,357
Agency funds	<u>30,479</u>
Total	<u>\$ 6,230,276</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund loans consisted of the following at June 30, 2005, as reported in the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 93,612

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 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) are for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2004 on the assessed value listed as of the prior January 1, 2004, 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. 2005 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2005, on the values as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are twenty-five percent of true value.

The full tax rate for District operations for the year ended June 30, 2005, was \$39.69 per \$1,000.00 of assessed value for 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 2005 are as follows:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real property	\$ 265,350,490	73.11	\$ 274,073,880	74.28
Public utility personal property	44,573,189	12.28	43,329,060	11.74
General tangible personal property	<u>53,023,928</u>	<u>14.61</u>	<u>51,543,833</u>	<u>13.98</u>
Total assessed valuation	<u>\$ 362,947,607</u>	<u>100.00</u>	<u>\$ 368,946,773</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 2005 tangible personal property tax settlement was not received until July of 2005.

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, 2005. 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 amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$203,600 in the general fund and \$49,709 in the debt service fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2004 was \$635,857 in the general fund and \$787,868 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.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities**

Taxes	\$ 13,224,370
Accounts	1,783
Intergovernmental	143,427
Accrued interest	<u>14,630</u>
Total	<u>\$ 13,384,210</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 183,689	\$ -	\$ -	\$ 183,689
Total capital assets, not being depreciated	<u>183,689</u>	<u>-</u>	<u>-</u>	<u>183,689</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	522,437	-	-	522,437
Buildings and improvements	34,154,075	-	-	34,154,075
Furniture and equipment	1,237,974	408,146	-	1,646,120
Vehicles	<u>1,276,695</u>	<u>16,450</u>	<u>-</u>	<u>1,293,145</u>
Total capital assets, being depreciated	<u>37,191,181</u>	<u>424,596</u>	<u>-</u>	<u>37,615,777</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(82,101)	(17,415)	-	(99,516)
Buildings and improvements	(8,113,481)	(1,008,422)	-	(9,121,903)
Furniture and equipment	(872,949)	(148,348)	-	(1,021,297)
Vehicles	<u>(590,751)</u>	<u>(64,246)</u>	<u>-</u>	<u>(654,997)</u>
Total accumulated depreciation	<u>(9,659,282)</u>	<u>(1,238,431)</u>	<u>-</u>	<u>(10,897,713)</u>
Governmental activities capital assets, net	<u>\$ 27,715,588</u>	<u>\$ (813,835)</u>	<u>\$ -</u>	<u>\$ 26,901,753</u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$ 1,061,827
Special	2,959
<i>Support Services:</i>	
Pupil	223
Instructional staff	24,323
Administration	12,091
Fiscal	546
Operations and maintenance	80,938
Pupil transportation	7,026
Extracurricular activities	34,919
Food service operations	<u>13,579</u>
Total depreciation expense	<u>\$ 1,238,431</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During fiscal 2005, and in prior 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 2005 totaled \$54,183 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, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 72,188
2007	72,188
2008	72,188
2009	72,188
2010	<u>72,188</u>
Total minimum lease payments	360,940
Less: amount representing interest	<u>(57,137)</u>
Total	<u>\$ 303,803</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 10 - LEASE-PURCHASE AGREEMENT**

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 2005, the District made \$16,000 in principal payments and \$22,145 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 agreement and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending <u>June 30</u>	<u>Amount</u>
2006	\$ 39,656
2007	48,877
2008	48,416
2009	47,904
2010	48,342
2011 - 2015	235,587
2016 - 2017	<u>92,617</u>
Total	561,399
Less: amount representing interest	<u>(138,399)</u>
Present value of minimum lease payments	<u>\$ 423,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 11 - LONG-TERM OBLIGATIONS**

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

	Audited Balance <u>6/30/04</u>	Restatement <u>7/1/2004</u>	Restated Balance <u>7/1/2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/2005</u>	Amount Due Within <u>One Year</u>
<b>Governmental Activities:</b>							
<u>G.O. Bonds - Series 1999</u>							
Improvement Bonds	\$ 16,884,743	\$ (1,269,743)	\$ 15,615,000	\$ -	\$ (15,615,000)	\$ -	\$ -
Capital Appreciation Bonds	-	1,848,576	1,848,576	-	-	1,848,576	-
Accreted Interest on Bonds	-	964,894	964,894	245,982	-	1,210,876	-
Refunding Bonds	5,973,833	(578,833)	5,395,000	-	(580,000)	4,815,000	605,000
<u>G.O. Bonds - Series 2005</u>							
Refunding Bonds	-	-	-	12,840,000	-	12,840,000	975,000
Capital Appreciation Bonds	-	-	-	2,199,979	-	2,199,979	-
Accreted Interest on Bonds	-	-	-	18,042	-	18,042	-
Lease Purchase Agreement	439,000	-	439,000	-	(16,000)	423,000	29,000
Capital lease obligation	54,183	-	54,183	303,803	(54,183)	303,803	52,588
Compensated Absences	<u>1,037,033</u>	<u>-</u>	<u>1,037,033</u>	<u>164,052</u>	<u>(93,846)</u>	<u>1,107,239</u>	<u>205,288</u>
Total	<u>\$ 24,388,792</u>	<u>\$ 964,894</u>	<u>\$ 25,353,686</u>	<u>\$ 15,771,858</u>	<u>\$ (16,359,029)</u>	24,766,515	<u>\$ 1,866,876</u>
Amortized premium on G.O. Bonds - Series 2005						344,485	
Deferred charges on G.O. Bonds - Series 2005						<u>(834,876)</u>	
Total Long-Term Liabilities on Statement of Net Assets						<u>\$ 24,276,124</u>	

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

General Obligation Bonds - Series 2005: On March 15, 2005, the District issued general obligation refunding bonds, which included both current interest and capital appreciation bonds, in order to advance refund \$15,040,000 of the General Obligation Bonds - Series 2005 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, 2005

**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, 2005 is \$2,199,979. Total accreted interest of \$18,042 has been included on the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$847,720. This amount is being netted against the new debt and amortized over the remaining life of the advance refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken in order to reduce total debt service payments over the next 21 years by \$2,205,561. The economic gain associated with this advance refunding is equal to \$1,000,072.

*Lease Purchase Agreement:* See Note 10 for details.

*Capital Lease Obligation:* See Note 9 for details.

*Compensated Absences:* Compensated absences will be paid from the fund from which the employee's salary is paid.

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2005, are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds - Series 1999</u>					
	<u>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>
2006	\$ 605,000	\$ 215,980	\$ 820,980	\$ -	\$ -	\$ -
2007	625,000	190,570	815,570	-	-	-
2008	655,000	163,695	818,695	-	-	-
2009	685,000	134,875	819,875	-	-	-
2010	715,000	104,050	819,050	-	-	-
2011 - 2015	1,530,000	2,249,192	3,779,192	1,457,088	3,417,912	4,875,000
2016	-	-	-	391,488	1,218,512	1,610,000
<b>Total</b>	<b>\$ 4,815,000</b>	<b>\$ 3,058,362</b>	<b>\$ 7,873,362</b>	<b>\$ 1,848,576</b>	<b>\$ 4,636,424</b>	<b>\$ 6,485,000</b>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Year Ended	General Obligation Bonds - Series 2005					
	Refunding Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 975,000	\$ 365,886	\$ 1,340,886	\$ -	\$ -	\$ -
2007	965,000	492,102	1,457,102	-	-	-
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 - 2015	1,400,000	1,702,214	3,102,214	-	-	-
2016 - 2020	2,895,000	1,459,513	4,354,513	2,199,979	1,755,021	3,955,000
2021 - 2025	3,395,000	640,560	4,035,560	-	-	-
2026	500,000	22,500	522,500	-	-	-
Total	<u>\$ 12,840,000</u>	<u>\$ 5,971,281</u>	<u>\$18,811,281</u>	<u>\$ 2,199,979</u>	<u>\$ 1,755,021</u>	<u>\$ 3,955,000</u>

**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 effects of these debt limitations at June 30, 2005 are a voted debt margin of \$12,622,346 (including available funds of \$1,865,536), an unvoted debt margin of \$368,947, and an unvoted energy conservation debt margin of \$3,320,521.

**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 2005, 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 2004.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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

**B. OSBA Group Workers' Compensation Rating Program**

For fiscal year 2005, 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 - DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (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 state statute per 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 contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio, 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$494,280, \$492,142, and \$454,300, respectively; 42.52% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$284,112 represents the unpaid contribution for fiscal year 2005 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, 2005

**NOTE 13 - DEFINED BENEFIT PENSION PLAN - (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2005 and 2004, 13% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,811,735, \$1,745,947, and \$1,602,633, respectively; 83.26% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$303,206 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$13,599 made by the District and \$12,958 made by plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 13 - DEFINED BENEFIT PENSION PLAN - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, 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 STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$129,410 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Net health care costs for the year ending June 30, 2005 were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million. The number of participants eligible to receive benefits was 58,123. For the District, the amount to fund health care benefits, including surcharge, equaled \$226,638 during the 2005 fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 1,407,320
Net adjustment for revenue accruals	(419,709)
Net adjustment for expenditure accruals	(573,802)
Net adjustment for other sources/uses	(209,499)
Adjustment for encumbrances	<u>216,717</u>
GAAP basis	<u>\$ 421,027</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 16 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**C. State School Funding Decision**

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 current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**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, 2005, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Balance as of June 30, 2004	\$ (556,720)	\$ (16,696,926)	\$ 123,223
Current year set-aside requirement	474,878	474,878	-
Qualifying disbursements	<u>(716,334)</u>	<u>(193,293)</u>	<u>-</u>
Total	<u>\$ (798,176)</u>	<u>\$ (16,415,341)</u>	<u>\$ 123,223</u>
Balance carried forward to FY 2006	<u>\$ (798,176)</u>	<u>\$ (16,415,341)</u>	<u>\$ 123,223</u>

The District had offsets and 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, 2005 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, 2005

- 2004-1      The District did not maintain a computerized or manual listing of capital assets and disposals during the fiscal year. Manual researching of selected object codes of the District's accounting system by the Auditor of State's Office was used to identify additions to the District's fixed assets inventory. Furthermore, additions during the year did not get tagged for identification. The lack of maintaining additions to and disposals from the asset system will decrease the District's ability to safeguard its capital assets. *Per testing in FY2005, the District did provide a listing of capital assets and items were tagged.*

**EDGEWOOD CITY SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

<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>				
Nutrition Cluster:				
Food Donation	N/A	10.550	\$ 93,758	93,758
School Breakfast Program	05PU	10.553	54,493	54,493
National School Lunch Program	LLP4	10.555	<u>262,309</u>	<u>262,309</u>
Nutrition Cluster Total			<u>410,560</u>	<u>410,560</u>
Child and Adult Care Food Program	CCMO	10.558	<u>1,874</u>	<u>1,874</u>
Total U.S. Department of Agriculture			<u>412,434</u>	<u>412,434</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	109,449	122,867
Special Education Cluster:				
Special Education - Grants to States	6BSF	84.027	662,843	681,750
Special Education - Preschool Grants	PGS1/PGD7	84.173	<u>6,326</u>	<u>6,326</u>
Special Education Cluster Total			<u>669,169</u>	<u>688,076</u>
Safe and Drug-Free Schools and Communities - State Grants	DRS1	84.186	9,441	10,400
State Grants for Innovative Programs	C2S1	84.298	1,442	14,423
Education Technology State Grants	TJS1	84.318	4,022	4,022
Improving Teacher Quality State Grants	TRS1	84.367	<u>80,991</u>	<u>71,034</u>
Total U.S. Department of Education			874,514	910,822
<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	170,702	170,702
State Children's Health Insurance Program (SCHIP)	n/a	93.767	<u>33,122</u>	<u>33,122</u>
Total U.S. Department of Health and Human Services			<u>203,824</u>	<u>203,824</u>
<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	-	69
Total Institute of Museum and Library Services			-	69
Total Federal Awards			\$ <u>1,490,772</u>	<u>1,527,149</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 DISTRIBUTION**

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



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**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, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 13, 2006 wherein we noted that the School District implemented Governmental Accounting Standards Board Statement No. 40 as well as Governmental Accounting Standards Board Technical Bulletin No. 2004-2. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.



## 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*.

We noted certain matters that we reported to management of the School District in a separate letter dated January 13, 2006.

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 13, 2006



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**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 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, 2005. Edgewood City 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 Edgewood City 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, Edgewood City 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, 2005.

## **Internal Control over Compliance**

The management of Edgewood City 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 Edgewood City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, Hachett & Co.*

Middletown, Ohio  
January 13, 2006

**EDGEWOOD CITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

**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
Reportable condition(s) 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
Reportable condition(s) 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>Nutrition Cluster (CFDA's 10.550, 10.553 and 10.555)</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.



**Auditor of State  
Betty Montgomery**

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**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  
MAY 9, 2006**