



**Auditor of State  
Betty Montgomery**



**EDGEWOOD CITY SCHOOL DISTRICT  
BUTLER COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Edgewood City School District  
Butler County  
3500 Busenbark Road  
Trenton, Ohio 45067

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Edgewood City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Edgewood City School District, Butler County, Ohio as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for 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 also not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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**Betty Montgomery**  
Auditor of State

February 3, 2003

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**EDGEWOOD CITY SCHOOL DISTRICT**  
**BUTLER COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 783,664	\$ 193,450	\$ 1,671,513	\$ 1,530,952
Cash with escrow agent . . . . .	-	-	-	472,654
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent . . . . .	8,790,778	-	1,763,727	-
Accounts . . . . .	-	2,916	-	-
Accrued interest . . . . .	-	-	-	11
Interfund loan receivable . . . . .	26,701	-	-	-
Prepayments . . . . .	6,603	-	-	-
Due from other governments . . . . .	-	8,730	-	-
Materials and supplies inventory . . . . .	3,926	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	123,223	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount available in debt service fund . . . . .	-	-	-	-
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits . . . . .</b>	<b>\$ 9,734,895</b>	<b>\$ 205,096</b>	<b>\$ 3,435,240</b>	<b>\$ 2,003,617</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$ 9,074	\$ 5,967	\$ -	\$ 15,746
Retainage payable. . . . .	-	-	-	472,654
Accrued wages and benefits. . . . .	1,809,365	32,292	-	-
Compensated absences payable. . . . .	5,000	-	-	-
Pension obligation payable . . . . .	324,270	3,904	-	-
Interfund loan payable . . . . .	-	-	-	-
Deferred revenue . . . . .	8,482,206	2,925	1,695,485	-
Due to other governments. . . . .	45,726	914	-	-
Due to students . . . . .	-	-	-	-
General obligation bonds payable. . . . .	-	-	-	-
General obligation refunding bonds. . . . .	-	-	-	-
Energy conservation notes payable . . . . .	-	-	-	-
Obligation under capital lease. . . . .	-	-	-	-
<b>Total liabilities. . . . .</b>	<b>10,675,641</b>	<b>46,002</b>	<b>1,695,485</b>	<b>488,400</b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Contributed capital . . . . .	-	-	-	-
Accumulated deficit: unreserved. . . . .	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances . . . . .	69,393	19,427	-	1,888,559
Reserved for materials and supplies inventory. . . . .	3,926	-	-	-
Reserved for prepayments . . . . .	6,603	-	-	-
Reserved for debt service . . . . .	-	-	1,671,513	-
Reserved for tax revenue unavailable for appropriation. . . . .	308,572	-	68,242	-
Reserved for BWC refunds . . . . .	123,223	-	-	-
Unreserved-undesignated . . . . .	(1,452,463)	139,667	-	(373,342)
<b>Total equity and other credits . . . . .</b>	<b>(940,746)</b>	<b>159,094</b>	<b>1,739,755</b>	<b>1,515,217</b>
<b>Total liabilities, equity and other credits. . . . .</b>	<b>\$ 9,734,895</b>	<b>\$ 205,096</b>	<b>\$ 3,435,240</b>	<b>\$ 2,003,617</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust & Agency			
\$ 54,573	\$ 239,726	\$ -	\$ -	\$ 4,473,878
-	-	-	-	472,654
-	-	-	-	10,554,505
-	-	-	-	2,916
-	-	-	-	11
-	-	-	-	26,701
-	-	-	-	6,603
26,702	-	-	-	35,432
21,229	-	-	-	25,155
-	-	-	-	123,223
70,153	-	36,416,897	-	36,487,050
-	-	-	1,739,755	1,739,755
-	-	-	24,576,768	24,576,768
<u>\$ 172,657</u>	<u>\$ 239,726</u>	<u>\$ 36,416,897</u>	<u>\$ 26,316,523</u>	<u>\$ 78,524,651</u>
\$ 932	\$ -	\$ -	\$ -	\$ 31,719
-	-	-	-	472,654
68,661	-	-	-	1,910,318
26,519	-	-	1,050,866	1,082,385
45,298	-	-	145,415	518,887
26,697	4	-	-	26,701
16,223	-	-	-	10,196,839
803	-	-	-	47,443
-	31,599	-	-	31,599
-	-	-	17,839,743	17,839,743
-	-	-	7,088,833	7,088,833
-	-	-	35,879	35,879
-	-	-	155,787	155,787
<u>185,133</u>	<u>31,603</u>	<u>-</u>	<u>26,316,523</u>	<u>39,438,787</u>
-	-	36,416,897	-	36,416,897
20,495	-	-	-	20,495
(32,971)	-	-	-	(32,971)
-	-	-	-	1,977,379
-	-	-	-	3,926
-	-	-	-	6,603
-	-	-	-	1,671,513
-	-	-	-	376,814
-	-	-	-	123,223
-	208,123	-	-	(1,478,015)
<u>(12,476)</u>	<u>208,123</u>	<u>36,416,897</u>	<u>-</u>	<u>39,085,864</u>
<u>\$ 172,657</u>	<u>\$ 239,726</u>	<u>\$ 36,416,897</u>	<u>\$ 26,316,523</u>	<u>\$ 78,524,651</u>

**EDGEWOOD CITY SCHOOL DISTRICT**  
**BUTLER COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 6,182,007	\$ -	\$ 1,345,506	\$ -	\$ -	\$ 7,527,513
Tuition . . . . .	56,763	-	-	-	-	56,763
Earnings on investments . . . . .	91,089	3,209	-	153,735	4,817	252,850
Extracurricular . . . . .	-	248,215	-	-	-	248,215
Other local revenues . . . . .	628,496	88,982	-	22,853	7,655	747,986
Intergovernmental - State . . . . .	11,063,274	76,584	261,814	14,500	-	11,416,172
Intergovernmental - Federal . . . . .	-	547,282	-	-	-	547,282
<b>Total revenue . . . . .</b>	<b><u>18,021,629</u></b>	<b><u>964,272</u></b>	<b><u>1,607,320</u></b>	<b><u>191,088</u></b>	<b><u>12,472</u></b>	<b><u>20,796,781</u></b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	9,699,790	137,210	-	4,316	-	9,841,316
Special . . . . .	1,868,472	481,965	-	-	-	2,350,437
Vocational . . . . .	3,916	-	-	-	-	3,916
Support services:						
Pupil . . . . .	1,184,466	34,721	-	-	-	1,219,187
Instructional staff . . . . .	1,520,818	89,898	-	17,500	-	1,628,216
Board of Education . . . . .	95,905	-	-	-	-	95,905
Administration . . . . .	1,497,523	40,290	-	1,168	-	1,538,981
Fiscal . . . . .	397,049	-	28,037	-	-	425,086
Business . . . . .	133,896	-	-	-	-	133,896
Operations and maintenance . . . . .	1,803,405	23,880	-	-	-	1,827,285
Pupil transportation . . . . .	843,984	-	-	-	-	843,984
Central . . . . .	103,728	36,264	-	-	676	140,668
Community services . . . . .	11,431	4,975	-	-	6,125	22,531
Extracurricular activities . . . . .	390,328	128,120	-	-	-	518,448
Facilities Acquisition and Construction . . . . .	131,310	-	-	7,850,741	-	7,982,051
Capital Outlay . . . . .	155,787	-	-	-	-	155,787
Debt service:						
Principal retirement . . . . .	5,971	-	935,880	-	-	941,851
Interest and fiscal charges . . . . .	25	-	1,115,276	-	-	1,115,301
<b>Total expenditures . . . . .</b>	<b><u>19,847,804</u></b>	<b><u>977,323</u></b>	<b><u>2,079,193</u></b>	<b><u>7,873,725</u></b>	<b><u>6,801</u></b>	<b><u>30,784,846</u></b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,826,175)</u>	<u>(13,051)</u>	<u>(471,873)</u>	<u>(7,682,637)</u>	<u>5,671</u>	<u>(9,988,065)</u>
Other financing sources:						
Sale/Loss on assets . . . . .	3,103	-	-	-	-	3,103
Proceeds of capital lease . . . . .	155,787	-	-	-	-	155,787
Operating transfers in . . . . .	-	-	39,353	-	-	39,353
Operating transfers out . . . . .	<u>(94,373)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,373)</u>
<b>Total other financing sources . . . . .</b>	<b><u>64,517</u></b>	<b><u>-</u></b>	<b><u>39,353</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>103,870</u></b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>(1,761,658)</u>	<u>(13,051)</u>	<u>(432,520)</u>	<u>(7,682,637)</u>	<u>5,671</u>	<u>(9,884,195)</u>
Fund balances, July 1 . . . . .	816,986	172,145	2,172,275	9,197,854	202,452	12,561,712
Increase in reserve for inventory . . . . .	3,926	-	-	-	-	3,926
<b>Fund balances, June 30 . . . . .</b>	<b><u>\$ (940,746)</u></b>	<b><u>\$ 159,094</u></b>	<b><u>\$ 1,739,755</u></b>	<b><u>\$ 1,515,217</u></b>	<b><u>\$ 208,123</u></b>	<b><u>\$ 2,681,443</u></b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**EDGEWOOD CITY SCHOOL DISTRICT**  
**BUTLER COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 8,152,386	\$ 8,152,386	\$ -	\$ -	\$ -	\$ -
Tuition . . . . .	56,763	56,763	-	-	-	-
Earnings on investments . . . . .	91,089	91,089	-	3,208	3,208	-
Extracurricular . . . . .	-	-	-	248,214	248,214	-
Other local revenues . . . . .	585,078	585,078	-	85,983	85,983	-
Intergovernmental - State . . . . .	11,063,274	11,063,274	-	76,584	76,584	-
Intergovernmental - Federal . . . . .	-	-	-	541,477	541,477	-
Total revenues . . . . .	<u>19,948,590</u>	<u>19,948,590</u>	<u>-</u>	<u>955,466</u>	<u>955,466</u>	<u>-</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	9,686,223	9,686,223	-	144,196	144,196	-
Special . . . . .	1,844,016	1,844,016	-	452,123	452,123	-
Vocational . . . . .	3,916	3,916	-	-	-	-
Support services:						
Pupil . . . . .	1,139,836	1,139,836	-	35,398	35,398	-
Instructional staff . . . . .	1,528,289	1,528,289	-	117,163	117,163	-
Board of Education . . . . .	96,044	96,044	-	-	-	-
Administration . . . . .	1,498,748	1,498,748	-	39,959	39,959	-
Fiscal . . . . .	402,695	402,695	-	-	-	-
Business . . . . .	136,751	136,751	-	-	-	-
Operations and maintenance . . . . .	1,828,454	1,828,454	-	23,655	23,655	-
Pupil transportation . . . . .	840,471	840,471	-	-	-	-
Central . . . . .	100,843	100,843	-	36,264	36,264	-
Community services . . . . .	11,621	11,621	-	4,975	4,975	-
Extracurricular activities . . . . .	387,937	387,937	-	129,331	129,331	-
Facilities acquisition and construction . . . . .	131,309	131,309	-	-	-	-
Debt service:						
Principal retirement . . . . .	35,880	35,880	-	-	-	-
Interest and fiscal charges . . . . .	3,473	3,473	-	-	-	-
Total expenditures . . . . .	<u>19,676,506</u>	<u>19,676,506</u>	<u>-</u>	<u>983,064</u>	<u>983,064</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>272,084</u>	<u>272,084</u>	<u>-</u>	<u>(27,598)</u>	<u>(27,598)</u>	<u>-</u>
<b>Other financing sources (uses):</b>						
Advances in . . . . .	124,700	124,700	-	-	-	-
Advances out . . . . .	(122,645)	(122,645)	-	-	-	-
Operating transfers out . . . . .	(55,020)	(55,020)	-	-	-	-
Sale and loss of assets . . . . .	3,103	3,103	-	-	-	-
Refund of prior year's receipts . . . . .	(475)	(475)	-	-	-	-
Refund of prior year expenditure . . . . .	45,312	45,312	-	-	-	-
Total other financing sources (uses) . . . . .	<u>(5,025)</u>	<u>(5,025)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>267,059</u>	<u>267,059</u>	<u>-</u>	<u>(27,598)</u>	<u>(27,598)</u>	<u>-</u>
Fund balances, July 1 . . . . .	476,978	476,978	-	166,510	166,510	-
Prior year encumbrances appropriated . . . . .	85,134	85,134	-	31,164	31,164	-
Fund balances, June 30 . . . . .	<u>\$ 829,171</u>	<u>\$ 829,171</u>	<u>\$ -</u>	<u>\$ 170,076</u>	<u>\$ 170,076</u>	<u>\$ -</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 1,850,169	\$ 1,850,169	\$ -	\$ -	\$ -	\$ -	\$ 10,002,555	\$ 10,002,555	\$ -
-	-	-	-	-	-	56,763	56,763	-
-	-	-	318,320	318,320	-	412,617	412,617	-
-	-	-	-	-	-	248,214	248,214	-
-	-	-	22,853	22,853	-	693,914	693,914	-
261,816	261,816	-	14,500	14,500	-	11,416,174	11,416,174	-
-	-	-	-	-	-	541,477	541,477	-
<u>2,111,985</u>	<u>2,111,985</u>	<u>-</u>	<u>355,673</u>	<u>355,673</u>	<u>-</u>	<u>23,371,714</u>	<u>23,371,714</u>	<u>-</u>
-	-	-	4,316	4,316	-	9,834,735	9,834,735	-
-	-	-	-	-	-	2,296,139	2,296,139	-
-	-	-	-	-	-	3,916	3,916	-
-	-	-	-	-	-	1,175,234	1,175,234	-
-	-	-	17,500	17,500	-	1,662,952	1,662,952	-
-	-	-	-	-	-	96,044	96,044	-
-	-	-	1,169	1,169	-	1,539,876	1,539,876	-
28,039	28,039	-	-	-	-	430,734	430,734	-
-	-	-	-	-	-	136,751	136,751	-
-	-	-	-	-	-	1,852,109	1,852,109	-
-	-	-	-	-	-	840,471	840,471	-
-	-	-	-	-	-	137,107	137,107	-
-	-	-	-	-	-	16,596	16,596	-
-	-	-	-	-	-	517,268	517,268	-
-	-	-	9,560,074	9,560,074	-	9,691,383	9,691,383	-
900,000	900,000	-	-	-	-	935,880	935,880	-
<u>1,111,803</u>	<u>1,111,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,115,276</u>	<u>1,115,276</u>	<u>-</u>
<u>2,039,842</u>	<u>2,039,842</u>	<u>-</u>	<u>9,583,059</u>	<u>9,583,059</u>	<u>-</u>	<u>32,282,471</u>	<u>32,282,471</u>	<u>-</u>
72,143	72,143	-	(9,227,386)	(9,227,386)	-	(8,910,757)	(8,910,757)	-
-	-	-	-	-	-	124,700	124,700	-
-	-	-	-	-	-	(122,645)	(122,645)	-
-	-	-	-	-	-	(55,020)	(55,020)	-
-	-	-	-	-	-	3,103	3,103	-
-	-	-	-	-	-	(475)	(475)	-
-	-	-	-	-	-	45,312	45,312	-
-	-	-	-	-	-	(5,025)	(5,025)	-
72,143	72,143	-	(9,227,386)	(9,227,386)	-	(8,915,782)	(8,915,782)	-
1,599,370	1,599,370	-	597,691	597,691	-	2,840,549	2,840,549	-
-	-	-	8,728,996	8,728,996	-	8,845,294	8,845,294	-
<u>\$ 1,671,513</u>	<u>\$ 1,671,513</u>	<u>\$ -</u>	<u>\$ 99,301</u>	<u>\$ 99,301</u>	<u>\$ -</u>	<u>\$ 2,770,061</u>	<u>\$ 2,770,061</u>	<u>\$ -</u>

**EDGEWOOD CITY SCHOOL DISTRICT  
BUTLER COUNTY, OHIO**  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN ACCUMULATED DEFICIT  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees . . . . .	\$ 148,207
Sales/charges for services . . . . .	<u>794,534</u>
Total operating revenues . . . . .	<u>942,741</u>
Operating expenses:	
Personal services . . . . .	607,765
Contract services . . . . .	11,911
Materials and supplies . . . . .	631,678
Depreciation . . . . .	11,550
Other . . . . .	<u>1,610</u>
Total operating expenses . . . . .	<u>1,264,514</u>
Operating loss . . . . .	<u>(321,773)</u>
Nonoperating revenues:	
Operating grants . . . . .	207,891
Interest revenue . . . . .	99
Federal commodities . . . . .	<u>77,116</u>
Total nonoperating revenues . . . . .	<u>285,106</u>
Net loss before operating transfers. . . . .	(36,667)
Operating transfers in . . . . .	<u>55,020</u>
Net income . . . . .	18,353
Accumulated deficit, July 1 . . . . .	<u>(51,324)</u>
Accumulated deficit, June 30 . . . . .	<u><u>\$ (32,971)</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**EDGEWOOD CITY SCHOOL DISTRICT**  
**BUTLER COUNTY, OHIO**  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees . . . . .	\$ 148,251
Cash received from sales/service charges . . . . .	794,534
Cash payments for personal services . . . . .	(606,160)
Cash payments for contract services . . . . .	(11,911)
Cash payments for materials and supplies . . . . .	(553,962)
Cash payments for other expenses . . . . .	(1,610)
	(230,858)
Net cash provided by used in operating activities . . . . .	
Cash flows from noncapital financing activities:	
Cash received from operating grants . . . . .	209,940
Transfers in from other funds . . . . .	55,020
Cash received from interfund loans . . . . .	122,640
Cash payments used in repayment of interfund loans . . . . .	(124,694)
	262,906
Net cash provided by noncapital financing activities . . . . .	
Cash flows from capital and related financing activities:	
Acquisition of capital assets . . . . .	(10,327)
	(10,327)
Net cash used in capital and related financing activities . . . . .	
Cash flows from investing activities:	
Interest received . . . . .	99
	99
Net cash provided by investing activities . . . . .	
Net increase in cash and cash equivalents . . . . .	21,820
Cash and cash equivalents at beginning of year . . . . .	32,753
Cash and cash equivalents at end of year . . . . .	\$ 54,573
Reconciliation of operating loss to net cash provided by used in operating activities:	
Operating income loss . . . . .	\$ (321,773)
Adjustments to reconcile operating income loss to net cash provided by used in operating activities:	
Depreciation . . . . .	11,550
Federal donated commodities . . . . .	77,116
Changes in assets and liabilities:	
Increase in materials and supplies inventory . . . . .	(485)
Decrease in accounts receivable . . . . .	44
Decrease in due from other governments . . . . .	2,049
Increase in accounts payable . . . . .	932
Increase in accrued wages and benefits . . . . .	6,083
Decrease in compensated absences payable . . . . .	(9,992)
Decrease in interfunds loans payable . . . . .	(2,054)
Increase in due from other governments . . . . .	803
Increase in pension obligation payable . . . . .	4,716
Increase in deferred revenue . . . . .	153
	(230,858)
Net cash provided by used in operating activities . . . . .	\$ (230,858)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**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 134 non-certified personnel and 226 certified full time teaching and administrative personnel, who provide services to approximately 3,259 students and other community members.

The District ranks as the 142<sup>nd</sup> largest by enrollment among the 705 public and community school districts in the State. It currently operates 3 elementary schools, 1 middle school, and 1 comprehensive high school.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) 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 prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization, or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

*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.

D. Russell Lee Career Center

The Career Center 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 Career Center 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

*PUBLIC ENTITY RISK POOL*

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 11 for additional information.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

*General Fund* - The general fund is the general operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*FIDUCIARY FUNDS*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budgetary basis with note disclosure, if applicable, regarding items, which, in other fund types, would be subject to accrual.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

There were no accruals for the agency fund at June 30, 2002, that would be recorded on the combined balance sheet in other fund types.

*ACCOUNT GROUPS*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

*General Fixed Assets Account Group* - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This group of accounts is established to account for all long-term obligations of the District, except those accounted for in the proprietary funds.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the 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 the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligations principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**D. 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 2002 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

2. By no later than January 20, the Board-adopted budget is filed with the Butler County Budget Commission for tax rate determination.
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 final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels 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 or alter total function appropriations within a fund, or alter object appropriations within functions 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 departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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 2002.
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, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 12.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

During fiscal 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, and money market funds. At fiscal year-end, the District's investments were limited to STAR Ohio and U.S. Treasury money market mutual funds. Investments are reported at fair value, which is based on quoted market prices.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**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, 2002.

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:

	<u>Interest Actually Received</u>	<u>Interest Bond upon Share of Investments</u>	<u>Interest Assigned from Other Funds</u>
General	<u>\$ 91,089</u>	<u>\$ 36,095</u>	<u>\$ 54,994</u>

The District utilizes a financial institution to escrow amounts of retainage for ongoing construction projects. The total amount in escrow was \$472,654 at June 30, 2002. This amount is presented on the combined balance sheet as “Cash with Escrow Agent” since it is not required to be deposited into the District treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**F. Inventory**

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

**G. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. 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 capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds

Equipment reflected in these funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis (with an estimated 10% salvage value) over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and minor equipment	5-20

**H. 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, "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 sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet 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 50 or greater with at least 10 years of service; or 20 years service at any age 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 the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance liability of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and severance liability for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**I. Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources; however, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**J. Fund Equity**

Contributed capital is recorded in proprietary funds, which received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes 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.

**K. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable". Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.

**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District’s interfund transactions for fiscal year 2002 is presented in Note 5.

**L. Contributed Capital**

Contributed capital reported in the enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of revenue at fiscal year-end. There was no capital contributions received by the enterprise funds during fiscal 2002. Contributed capital in the enterprise funds at June 30, 2002 is \$20,495.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 18 for statutory reserves.

**N. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 2002, included the following individual fund deficits:

	<u>Deficit Balance</u>
General Fund	\$(940,746)
<u>Special Revenue Funds</u>	
Title I	(25,579)
Drug-Free School	(10)
<u>Enterprise Fund</u>	
Food Service	(48,137)

These deficits, caused by the application of GAAP, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. These funds complied with State law that does not allow for a negative cash-basis fund balance at year-end.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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 the Board of Education has identified as not required for use within the current two-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.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;



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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash with Escrow Agent:* At year-end, \$472,654 was on deposit in the District's escrow account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the District's deposits was \$434,689 and the bank balance was \$920,288. Both these amounts include \$472,654 in cash with escrow agents and are exclusive of payroll clearance accounts. Of the bank balance:

1. \$208,753 was covered by federal deposit insurance; and

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

2. \$274,802 was covered by specific collateral. \$372,664 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

*Investments:* The District's investment are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name. STAR Ohio and U.S. Treasury money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair Value
Not subject to categorization:	
U.S. Treasury money market mutual funds	\$1,250,217
Investment in STAR Ohio	<u>3,384,849</u>
 Total investments	 <u>\$4,635,066</u>

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

A reconciliation between the classifications of equity in pooled cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9, and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
Per GASB Statement No. 9	\$ 5,069,755	\$ -
Reclassifications:		
Money market	(1,250,217)	1,250,217
Investment in STAR Ohio	<u>(3,384,849)</u>	<u>3,384,849</u>
Per GASB Statement No. 3	<u>\$ 434,689</u>	<u>\$4,635,066</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$26,701	\$ -
Expendable Trust Fund	-	4
<u>Enterprise Fund</u>		
Food Service	<u>-</u>	<u>26,697</u>
Total	<u>\$26,701</u>	<u>\$26,701</u>

B. The following is a reconciliation of the District's operating transfers for 2002:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$94,373
Debt Service Fund	39,353	-
<u>Enterprise Funds</u>		
Food Service	52,020	-
Uniform School Supplies	<u>3,000</u>	<u>-</u>
Total	<u>\$94,373</u>	<u>\$94,373</u>

**EDGEWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed value upon which the 2001 taxes were collected was \$314,117,151. Agricultural/residential and public utility/minerals real estate represented 59.96% or \$188,353,890 of this total; Commercial & industrial real estate represented 12.14% or \$38,143,680 of this total; public utility tangible represented 13.64% or \$42,832,400 of this total and general tangible property represented 14.26% or \$44,787,181 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$39.69 per \$1,000.00 of assessed valuation for operations, and \$6.00 per \$1,000.00 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

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.

**EDGEWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 2002. 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.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled \$308,572 in the general fund, and \$68,242 in the debt service fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 7 - RECEIVABLES - (Continued)**

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$8,790,778
Interfund loan	26,701
<u>Special Revenue Funds</u>	
Accounts receivable	2,916
Due from other governments	8,730
<u>Debt Service Fund</u>	
Taxes - current and delinquent	1,763,727
<u>Enterprise Funds</u>	
Due from other governments	26,702

**NOTE 8 - FIXED ASSETS**

A summary of the changes in the general fixed asset account group during the fiscal year follows:

	<u>Balance July 1, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2002</u>
Land/improvements	\$ 413,034	\$ -	\$ -	\$ 413,034
Buildings	17,253,875	-	-	17,253,875
Furniture/equipment	2,753,581	276,360	-	3,029,941
Vehicles	1,026,578	55,804	-	1,082,382
Construction in progress	<u>7,093,241</u>	<u>7,544,424</u>	-	<u>14,637,665</u>
Total	<u>\$28,540,309</u>	<u>\$7,876,588</u>	<u>\$ -</u>	<u>\$36,416,897</u>

A summary of the proprietary fixed assets at June 30, 2002, follows:

Furniture and equipment	\$ 245,741
Less: accumulated depreciation	<u>(175,588)</u>
Net fixed assets	<u>\$ 70,153</u>

**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

During fiscal 2002, the District entered into a capitalized lease agreement for the acquisition of exercise equipment. In a prior year, the District entered into a capitalized lease for the acquisition of computers. The terms of the agreement provide an option to purchase the equipment. The lease meets 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 at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by these leases have been capitalized in the general fixed asset account group in the amount of \$155,787, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2002 fiscal year totaled \$5,971. This amount is reflected as debt service principal retirement in the general fund and represents the final payments on the computer lease. Payments on the exercise equipment begin in FY03 and will be made from the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002.

	<u>General Long-Term Obligations</u>	
<u>Year Ending June 30</u>		<u>Exercise Equipment</u>
2003		\$ 55,399
2004		55,399
2005		<u>55,400</u>
Total future minimum lease payments		166,198
Less: amount representing interest		<u>(10,411)</u>
Present value of future minimum lease payments		<u>\$155,787</u>

**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. General obligation bonds and energy conservation notes are general obligations of the District for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from a current 6.25 mill bonded debt levy for the general obligation bonds and from current operating revenue for the energy conservation notes.

**B. Series 1999 Refunding General Obligation Bonds**

On May 27, 1999, the District issued general obligation bonds (Series 1999 Refunding Bonds) to advance refund the callable portion of the Series 1991 School Improvement General Obligation Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the general long-term obligations account group. The outstanding balance of the refunded debt at June 30, 2002, was \$7,088,833.

Included in this issue were Series 1999 School Improvement General Obligation Bonds, authorized by voters of the District in the November, 1998 general election. Bond proceeds will be used for major renovations and additions to three of the District's facilities.

The par value of this combined issue was \$27,568,576. The refunding bonds have a stated maturity date of December 1, 2015, while the school improvement bonds have a stated maturity date of December 1, 2025. Interest on the bonds ranges from 3.30% to 5.25%, with an average interest rate, over the life of the entire issue, of 4.98%.

C. The following is a description of the District's long-term general obligation bonds and notes outstanding as of June 30, 2002:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/01</u>	<u>Retired in Fiscal 2002</u>	<u>Balance 06/30/02</u>
Energy conservation notes	4.84%	8/28/97	03/01/02	\$ 71,759	\$ (35,880)	\$ 35,879
Improvement and refunding bonds	4.98%	5/27/99	12/01/25	<u>25,828,576</u>	<u>(900,000)</u>	<u>24,928,576</u>
				<u>\$25,900,335</u>	<u>\$(935,880)</u>	<u>\$24,964,455</u>



**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

D. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Year Ending June 30	Principal on Energy Conservation Notes	Interest on Energy Conservation Notes	Total
2003	<u>\$35,880</u>	<u>\$1,737</u>	<u>\$37,617</u>
Total	<u>\$35,880</u>	<u>\$1,737</u>	<u>\$37,617</u>

E. The following is a summary of the District's future annual debt service requirements to maturity for refunding and general obligation bonds:

Year Ending June 30	Principal on Refunding Bonds	Interest on Refunding Bonds	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2003	\$ 560,000	\$ 283,800	\$ 430,000	\$ 810,903	\$ 2,084,703
2004	555,000	261,960	525,000	794,133	2,136,093
2005	580,000	239,760	575,000	773,133	2,167,893
2006	605,000	215,980	595,000	749,558	2,165,538
2007	625,000	190,570	620,000	724,568	2,160,138
2008 - 2012	3,585,000	510,440	3,540,000	3,184,425	10,819,865
2013 - 2017	578,833	1,461,167	2,094,743	5,851,962	9,986,705
2018 - 2022	-	-	4,820,000	1,991,784	6,811,784
2023 - 2026	-	-	<u>4,640,000</u>	<u>604,800</u>	<u>5,244,800</u>
Total	<u>\$7,088,833</u>	<u>\$3,163,677</u>	<u>\$17,839,743</u>	<u>\$15,485,266</u>	<u>\$43,577,519</u>

**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

F. During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account groups. Compensated absences are presented net of actual increases and decreases due to the impracticality of determining these values. Compensated absences and the pension obligation will ultimately be paid from the fund from which the employee is paid.

	<u>Balance</u> <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2002</u>
Compensated absences	\$ 1,056,058	\$ -	\$ (5,192)	\$ 1,050,866
Energy conservation notes	71,759	-	(35,880)	35,879
Pension obligation payable	142,579	145,415	(142,579)	145,415
General obligation bonds	18,224,743	-	(385,000)	17,839,743
Refunding bonds	7,603,833	-	(515,000)	7,088,833
Capital leases	<u>5,971</u>	<u>155,787</u>	<u>(5,971)</u>	<u>155,787</u>
 Total	 <u>\$27,104,943</u>	 <u>\$301,202</u>	 <u>\$(1,089,622)</u>	 <u>\$26,316,523</u>

**G. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$5,081,723 (including available funds of \$1,739,755) and an unvoted debt margin of \$314,117, and an unvoted energy conservation debt margin of \$2,791,175.

**NOTE 11 - RISK MANAGEMENT**

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 2002, the District purchased commercial coverage for property and general liability insurance, including boilers and machinery valued at \$51,431,300 with a \$1,000,000 single occurrence limit and a \$1,000 deductible.

**EDGEWOOD CITY SCHOOL DISTRICT  
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

Professional liability is protected by the Nationwide Insurance Company with a \$5,000,000 annual aggregate/\$2,000,000 single occurrence limit and a \$1,000 per claim deductible. Vehicles are covered by Nationwide Insurance Company and hold a \$100 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 2001.

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.

*OSBA WORKER'S COMPENSATION GROUP RATING*

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the 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 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.

**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating revenue	\$ 794,534	\$148,207	\$ 942,741
Depreciation	11,550	-	11,550
Operating income/(loss)	(317,392)	(4,381)	(321,773)
Non-operating revenue:			
Operating grants	207,891	-	207,891
Donated federal commodities	77,116	-	77,116
Operating transfers in	52,020	3,000	55,020
Investment earnings	99	-	99
Net income/(loss)	19,734	(1,381)	18,353
Fixed assets:			
Additions	10,327	-	10,327
Net working capital	(97,795)	15,166	(82,629)
Total assets	156,619	16,038	172,657
Total liabilities	184,261	872	185,133
Total fund equity/(deficit)	(48,137)	15,166	(32,971)
Encumbrances outstanding as of 6/30/02	38,536	5,598	44,134

**EDGEWOOD CITY SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 13- DEFINED BENEFIT PENSION PLANS**

**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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. 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, 2002, 2001, and 2000 were \$408,046, \$372,805, and \$404,452, respectively; 48.92% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$208,416, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for 2002; 9.5% 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. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,494,189, \$1,395,619, and \$1,181,301, respectively; 82.42% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$262,734, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, certain members of the Board of Education have elected Social Security. The Board'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 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$480,275 during fiscal 2002.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 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. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$286,995 during the 2002 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Comparison) - All Governmental Fund Types 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:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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 in governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources  
Over/(Under) Expenditures and Other  
Financing Uses**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>
Budget basis	\$ 267,059	\$(27,598)	\$ 72,143	\$(9,227,386)
Net adjustment for revenue accruals	(1,926,961)	8,806	(504,665)	(164,585)
Net adjustment for expenditure accruals	(249,016)	(17,634)	(39,351)	(194,971)
Net adjustment for other sources/(uses)	69,542	-	39,353	-
Adjustment for encumbrances	<u>77,718</u>	<u>23,375</u>	<u>-</u>	<u>1,904,305</u>
GAAP basis	<u><u>\$(1,761,658)</u></u>	<u><u>\$(13,051)</u></u>	<u><u>\$(432,520)</u></u>	<u><u>\$(7,682,637)</u></u>



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

**B. Litigation**

The District is involved in a sex and age discrimination lawsuit with the former Treasurer. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

**C. 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 17 - OUTSTANDING CONTRACTUAL COMMITMENTS**

At June 30, 2002, the District had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Amount</u>
J & H Mechanical Contractors	\$ 45,310
Nelson Stark Company	210,409
Robert A. Saurber Company	111,243
Tri-State Computer Exchange	2,015
Voorhis, Slone & Welsh	11,875
Century Construction, Inc.	57,650
Firematic Sprinkler Co.	7,005
McGraw/Kokosing Co.	98,923
Prism Electric Contractors, Inc.	153,932
Universal Contracting Corp.	971,994

**NOTE 18 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of July 1, 2001	\$(244,799)	\$(17,996,897)	\$123,223
Current year set-aside requirement	401,027	401,027	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(301,267)</u>	<u>-</u>	<u>-</u>
Total, June 30, 2002	<u>\$(145,039)</u>	<u>\$(17,595,870)</u>	<u>\$123,223</u>
Cash balance carried forward to FY 2003	<u>\$(145,039)</u>	<u>\$(17,595,870)</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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 18 - STATUTORY RESERVES - (Continued)**

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 future years.

A schedule of the restricted assets at June 30, 2002, follows:

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

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**EDGEWOOD CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$90,556		\$77,175
School Breakfast Program	05-PU 01/02	10.553	34,850		34,850	
National School Lunch Program	LL-P1/P4 01/02	10.555	161,815		161,815	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>196,665</u>	<u>90,556</u>	<u>196,665</u>	<u>77,175</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF-02-P	84.027	237,915		237,915	
Special Education - Preschool Grant	PG-SF-02-P	84.173	<u>2,722</u>		<u>2,722</u>	
Total Special Education Cluster			<u>240,637</u>		<u>240,637</u>	
Title I, Part A, CSEA	C1-S1-01 C1-S1-02	84.010	30,301 <u>153,962</u>		59,873 <u>145,448</u>	
Total Title I, Part A, CSEA			<u>184,263</u>		<u>205,321</u>	
Drug Free Schools Grant	DR-S1-01 DR-S1-02	84.186			4,259 <u>8,692</u>	
Total Drug Free Schools Grant			<u>12,236</u>		<u>12,951</u>	
Innovative Education Program Strategies	C2-S1-01 C2-S1-02	84.298			3,135 <u>10,320</u>	
Total Innovative Education Program Strategies			<u>10,320</u>		<u>13,270</u>	
Eisenhower Professional Development Grant	MS-S1-00 MS-S1-01 MS-S1-02	84.281			3,903 911 <u>10,849</u>	
Total Eisenhower Professional Development Grant			<u>11,760</u>		<u>21,760</u>	
Goals 2000	G2-SP-01	84.276	500		500	
Title VI-R Class Size Reduction	CR-S1-02	84.340	48,360		43,692	
Assistive Technology Infusion Project	AT-S1-02	84.352A	8,315		2,636	
Learn & Serve America	SV-S2-01 SV-S2-02	94.004			1,013 <u>15,000</u>	
Total Learn & Serve America			<u>15,000</u>		<u>12,958</u>	
Total Department of Education			<u>531,391</u>		<u>553,725</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Community Alternative Funding System (CAFS)	0900163	93.778	47,366		47,366	
Total U.S. Department of Health and Human Services			<u>47,366</u>		<u>47,366</u>	
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>						
<i>Passed through the State Library of Ohio</i>						
Library Services and Technology Act	IV-2-01 VI-2-02	45.310			8,256	
Total Institute of Museum and Library Services			<u>7,061</u>		<u>8,256</u>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$782,483</b></u>	<u><b>\$90,556</b></u>	<u><b>\$806,012</b></u>	<u><b>\$77,175</b></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**EDGEWOOD CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule of Federal Awards Receipts and Expenditures.



**Auditor of State  
Betty Montgomery**

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Edgewood City School District  
Butler County  
3500 Busenbark Road  
Trenton, Ohio 45067

To the Board of Education:

We have audited the financial statements of Edgewood City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated February 3, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 3, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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 operation that we consider to be material weaknesses. However, we noted a matter involving the internal control structure over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 3, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 3, 2003





**Auditor of State  
Betty Montgomery**

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Edgewood City School District  
Butler County  
3500 Busenbark Road  
Trenton, Ohio 45067

To the Board of Education:

**Compliance**

We have audited the compliance of Edgewood City School District, Butler County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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 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 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 and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 3, 2003

**EDGEWOOD CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA#'s 84.027 and 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

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  
MARCH 6, 2003**