



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Edison Local School District  
Jefferson County  
P.O. Box 158  
Hammondsville, Ohio

To the Board of Education:

We have audited the accompanying general purpose financial statements of Edison Local School District, Jefferson County (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 the Edison Local School District, Jefferson County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and its nonexpendable trust fund for the year 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 November 1, 2002 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.

Our report was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

November 1, 2002

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**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 1,862,095	\$ 321,441	\$ 205
Equity in pooled cash and investments - nonexpendable trust fund			
Cash with fiscal agent			
Receivables (net of allowances of uncollectibles)			
Property taxes - current and delinquent	6,611,395		
Accounts	14,597	5,853	
Due from other governments		255,311	
Interfund loan receivable	39,631		
Materials and supplies inventory			
Prepayments	93,648		
Restricted assets:			
Equity in pooled cash and cash equivalents	105,975		
Property, plant and equipment (net of accumulated depreciation where applicable)			
<b>Other Debits:</b>			
Amount to be provided for retirement of general long-term obligations			
<b>Total assets and other debits</b>	<b>\$ 8,727,341</b>	<b>\$ 582,605</b>	<b>\$ 205</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 55,420	\$ 38,907	
Accrued wages and benefits	1,454,558	236,814	
Compensated absences payable	37,668	2,273	
Pension obligation payable	222,058	25,862	
Interfund loan payable		39,631	
Deferred revenue	4,137,844		
Due to other governments	47,542	7,563	
Due to students			
Claims payable			
Term loan payable			
General obligation bonds payable			
Note payable		52,961	
<b>Total liabilities</b>	<b>5,955,090</b>	<b>404,011</b>	
<b>Equity and other credits</b>			
Investment in general fixed assets			
Contributed capital			
Retained earnings (accumulated deficit): unreserved			
Fund balances:			
Reserved for encumbrances	125,921	77,495	
Reserved for prepayments	93,648		
Reserved for tax revenue unavailable for appropriation	2,473,551		
Reserved for principal endowment			
Reserved for textbooks	98,359		
Reserved for capital acquisition	7,616		
Unreserved-undesignated	(26,844)	101,099	205
<b>Total equity and other credits</b>	<b>2,772,251</b>	<b>178,594</b>	<b>205</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 8,727,341</b>	<b>\$ 582,605</b>	<b>\$ 205</b>

*The notes to the general purpose financial statements are an integral part of this statement.*

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 31,157		\$ 80,035			\$ 2,294,933
		103,662			103,662
	\$ 22,459				22,459
20					6,611,395
					20,470
					255,311
					39,631
16,224					16,224
					93,648
					105,975
59,299			\$ 14,325,126		14,384,425
				\$ 1,910,203	1,910,203
<u>\$ 106,700</u>	<u>\$ 22,459</u>	<u>\$ 183,697</u>	<u>\$ 14,325,126</u>	<u>\$ 1,910,203</u>	<u>\$ 25,858,336</u>
\$ 48,866		\$ 63			\$ 94,390
12,144					1,740,238
20,269				\$ 1,343,731	1,395,816
				125,473	393,662
					39,631
11,958					4,149,802
1,333					56,438
		67,597			67,597
	\$ 343,256				343,256
				405,999	405,999
				35,000	35,000
					52,961
<u>94,570</u>	<u>343,256</u>	<u>67,660</u>		<u>1,910,203</u>	<u>8,774,790</u>
			\$ 14,325,126		14,325,126
1,000					1,000
11,130	(320,797)				(309,667)
		415			203,831
					93,648
					2,473,551
		100,000			100,000
					98,359
					7,616
		15,622			90,082
<u>12,130</u>	<u>(320,797)</u>	<u>116,037</u>	<u>14,325,126</u>		<u>17,083,546</u>
<u>\$ 106,700</u>	<u>\$ 22,459</u>	<u>\$ 183,697</u>	<u>\$ 14,325,126</u>	<u>\$ 1,910,203</u>	<u>\$ 25,858,336</u>

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Revenues:</b>						
From local sources:						
Taxes	\$ 6,099,213					\$ 6,099,213
Tuition		\$ 10,476				10,476
Earnings on investments	73,934				\$ 142	74,076
Extracurricular		189,946				189,946
Other local revenues	170,038	72,632			3,112	245,782
Intergovernmental - State	6,510,230	1,130,694				7,640,924
Intergovernmental - Federal		1,342,591				1,342,591
	<u>12,853,415</u>	<u>2,746,339</u>	<u>-</u>	<u>-</u>	<u>3,254</u>	<u>15,603,008</u>
Total revenue	<u>12,853,415</u>	<u>2,746,339</u>	<u>-</u>	<u>-</u>	<u>3,254</u>	<u>15,603,008</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	7,030,422	820,070				7,850,492
Special	1,169,622	717,387				1,887,009
Vocational	133,876					133,876
Other	43,230	33,403			2,000	78,633
Support services:						
Pupil	497,185	117,712				614,897
Instructional staff	306,534	480,534				787,068
Board of Education	98,153					98,153
Administration	1,144,122	232,240				1,376,362
Fiscal	346,609					346,609
Business	16,494					16,494
Operations and maintenance	1,678,712	45,061				1,723,773
Pupil transportation	1,537,872	31,592				1,569,464
Central	8,363			17,295		25,658
Community services	101				1,280	1,381
Extracurricular activities	246,226	172,160				418,386
Capital Outlay		62,281				62,281
Debt service:						
Principal retirement			305,667			305,667
Interest and fiscal charges		2,887	31,365			34,252
	<u>14,257,521</u>	<u>2,715,327</u>	<u>337,032</u>	<u>17,295</u>	<u>3,280</u>	<u>17,330,455</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,404,106)</u>	<u>31,012</u>	<u>(337,032)</u>	<u>(17,295)</u>	<u>(26)</u>	<u>(1,727,447)</u>
Other financing sources (uses):						
Operating transfers in		9,124	337,032			346,156
Operating transfers out	(348,225)	(1,805)				(350,030)
Proceeds from sale of fixed assets	4,000					4,000
	<u>(344,225)</u>	<u>7,319</u>	<u>337,032</u>			<u>126</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(1,748,331)</u>	<u>38,331</u>		<u>(17,295)</u>	<u>(26)</u>	<u>(1,727,321)</u>
Fund balances, July 1 (Restated)	<u>4,520,582</u>	<u>140,263</u>		<u>17,500</u>	<u>12,401</u>	<u>4,690,746</u>
<b>Fund balances, June 30</b>	<b><u>\$ 2,772,251</u></b>	<b><u>\$ 178,594</u></b>		<b><u>\$ 205</u></b>	<b><u>\$ 12,375</u></b>	<b><u>\$ 2,963,425</u></b>

The notes to the general purpose financial statements are an integral part of this statement.

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**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGET 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	\$ 8,492,408	\$ 8,423,658	\$ (68,750)			
Tuition				\$ 10,746	\$ 10,746	
Earnings on investments	77,000	73,934	(3,066)			
Extracurricular				225,450	189,485	\$ (35,965)
Other local revenues	157,579	171,425	13,846	64,795	70,712	5,917
Intergovernmental - State	6,609,434	6,510,231	(99,203)	1,208,306	1,130,694	(77,612)
Intergovernmental - Federal				1,454,886	1,107,068	(347,818)
Total revenues	<u>15,336,421</u>	<u>15,179,248</u>	<u>(157,173)</u>	<u>2,964,183</u>	<u>2,508,705</u>	<u>(455,478)</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	7,238,332	7,122,230	116,102	891,144	836,943	54,201
Special	1,196,550	1,146,650	49,900	883,738	708,388	175,350
Vocational	136,070	135,711	359			
Other	75,000	46,420	28,580	31,996	32,742	(746)
Support services:						
Pupil	534,775	484,796	49,979	145,206	88,369	56,837
Instructional staff	315,420	311,318	4,102	598,475	500,771	97,704
Board of Education	101,820	91,223	10,597			
Administration	1,166,759	1,148,120	18,639	316,097	239,656	76,441
Fiscal	374,200	350,370	23,830	1,000	200	800
Business	18,320	16,178	2,142			
Operations and maintenance	1,863,375	1,737,165	126,210	55,737	56,584	(847)
Pupil transportation	1,642,600	1,554,792	87,808	33,945	32,695	1,250
Central	17,311	8,897	8,414			
Community services	1,000	101	899			
Extracurricular activities	256,850	243,960	12,890	158,615	183,045	(24,430)
Capital Outlay				62,281	62,281	
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>14,938,382</u>	<u>14,397,931</u>	<u>540,451</u>	<u>3,178,234</u>	<u>2,741,674</u>	<u>436,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>398,039</u>	<u>781,317</u>	<u>383,278</u>	<u>(214,051)</u>	<u>(232,969)</u>	<u>(18,918)</u>
Other financing sources (uses):						
Advances in		16,416	16,416		56,047	56,047
Advances out		(56,047)	(56,047)		(16,416)	(16,416)
Operating transfers in	1,838,286	1,867,670	29,384	24,645	31,965	7,320
Operating transfers out	(337,405)	(2,215,895)	(1,878,490)	(1,805)	(24,645)	(22,840)
Proceeds from sale of fixed assets	4,000	4,000				
Refund of prior year expenditure	37,304	37,304				
Total other financing sources (uses)	<u>1,542,185</u>	<u>(346,552)</u>	<u>(1,888,737)</u>	<u>22,840</u>	<u>46,951</u>	<u>24,111</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>1,940,224</u>	<u>434,765</u>	<u>(1,505,459)</u>	<u>(191,211)</u>	<u>(186,018)</u>	<u>5,193</u>
Fund balances, July 1 (Restated)	1,172,288	1,172,288		307,151	307,151	
Prior year encumbrances appropriated	<u>178,548</u>	<u>178,548</u>		<u>117,939</u>	<u>117,939</u>	
<b>Fund balances, June 30</b>	<b><u>\$ 3,291,060</u></b>	<b><u>\$ 1,785,601</u></b>	<b><u>\$ (1,505,459)</u></b>	<b><u>\$ 233,879</u></b>	<b><u>\$ 239,072</u></b>	<b><u>\$ 5,193</u></b>

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)
						\$ 8,492,408	\$ 8,423,658	\$ (68,750)
						10,746	10,746	
						77,000	73,934	(3,066)
						225,450	189,485	(35,965)
						222,374	242,137	19,763
						7,817,740	7,640,925	(176,815)
						1,454,886	1,107,068	(347,818)
						18,300,604	17,687,953	(612,651)
						8,129,476	7,959,173	170,303
						2,080,288	1,855,038	225,250
						136,070	135,711	359
						106,996	79,162	27,834
						679,981	573,165	106,816
						913,895	812,089	101,806
						101,820	91,223	10,597
						1,482,856	1,387,776	95,080
						375,200	350,570	24,630
						18,320	16,178	2,142
						1,919,112	1,793,749	125,363
						1,676,545	1,587,487	89,058
			17,295	17,295		34,606	26,192	8,414
						1,000	101	899
						415,465	427,005	(11,540)
						62,281	62,281	
305,667	305,667					305,667	305,667	
31,738	31,365	373				31,738	31,365	373
337,405	337,032	373	17,295	17,295		18,471,316	17,493,932	977,384
(337,405)	(337,032)	373	(17,295)	(17,295)		(170,712)	194,021	364,733
							72,463	72,463
							(72,463)	(72,463)
337,032	337,032					2,199,963	2,236,667	36,704
						(339,210)	(2,240,540)	(1,901,330)
						4,000	4,000	
						37,304	37,304	
337,032	337,032					1,902,057	37,431	(1,864,626)
(373)		373	(17,295)	(17,295)		1,731,345	231,452	(1,499,893)
			17,500	17,500		1,496,939	1,496,939	
						296,487	296,487	
\$ (373)		\$ 373	\$ 205	\$ 205		\$ 3,524,771	\$ 2,024,878	\$ (1,499,893)

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EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>				
Tuition and fees	\$ 1,236			\$ 1,236
Sales/charges for services	256,191	\$ 2,458,000		2,714,191
Investment earnings			\$ 3,543	3,543
 Total operating revenues	 <u>257,427</u>	 <u>2,458,000</u>	 <u>3,543</u>	 <u>2,718,970</u>
<b>Operating expenses:</b>				
Personal services	309,117	2,856		311,973
Contract services	289,518			289,518
Materials and supplies	78,193			78,193
Depreciation	13,053			13,053
Claims expense		2,832,944		2,832,944
Other			5,001	5,001
 Total operating expenses	 <u>689,881</u>	 <u>2,835,800</u>	 <u>5,001</u>	 <u>3,530,682</u>
Operating loss	<u>(432,454)</u>	<u>(377,800)</u>	<u>(1,458)</u>	<u>(811,712)</u>
<b>Nonoperating revenues:</b>				
Operating grants	342,650			342,650
Federal commodities	58,336			58,336
Interest revenue		9,107		9,107
Miscellaneous	3,456			3,456
 Total nonoperating revenues	 <u>404,442</u>	 <u>9,107</u>		 <u>413,549</u>
Net loss before operating transfers	(28,012)	(368,693)	(1,458)	(398,163)
Operating transfers in	3,874			3,874
Net loss	(24,138)	(368,693)	(1,458)	(394,289)
Retained earnings/fund balance, July 1 (Restated)	35,268	47,896	105,120	188,284
<b>Retained earnings (accumulated deficit)/fund balance, June 30</b>	<b><u>\$ 11,130</u></b>	<b><u>\$ (320,797)</u></b>	<b><u>\$ 103,662</u></b>	<b><u>\$ (206,005)</u></b>

*The notes to the general purpose financial statements are an integral part of this statement.*

EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Total (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Cash flows from operating activities:</b>				
Cash received from tuition and fees	\$ 1,216			\$ 1,216
Cash received from sales/service charges	256,191	\$ 2,458,000		2,714,191
Cash payments for personal services	(304,035)	(2,865)		(306,900)
Cash payments for contract services	(289,532)			(289,532)
Cash payments for materials and supplies	(20,616)			(20,616)
Cash payments for claims expenses		(2,923,271)		(2,923,271)
Cash payments for other expenses			\$ (5,001)	(5,001)
Net cash used in operating activities	<u>(356,776)</u>	<u>(468,136)</u>	<u>(5,001)</u>	<u>(829,913)</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from operating grants	342,650			342,650
Transfers in from other funds	3,874			3,874
Cash received from nonoperating activities	<u>3,456</u>			<u>3,456</u>
Net cash provided by noncapital financing activities	<u>349,980</u>			<u>349,980</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	<u>(5,018)</u>			<u>(5,018)</u>
Net cash used in capital and related financing activities	<u>(5,018)</u>			<u>(5,018)</u>
<b>Cash flows from investing activities:</b>				
Interest received		<u>9,107</u>	<u>3,543</u>	<u>12,650</u>
Net cash provided by investing activities		<u>9,107</u>	<u>3,543</u>	<u>12,650</u>
Net decrease in cash and cash equivalents	(11,814)	(459,029)	(1,458)	(472,301)
Cash and cash equivalents at beginning of year (restated)	<u>42,971</u>	<u>481,488</u>	<u>105,120</u>	<u>629,579</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 31,157</u></b>	<b><u>\$ 22,459</u></b>	<b><u>\$ 103,662</u></b>	<b><u>\$ 157,278</u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>				
Operating loss	\$ (432,454)	\$ (377,800)	\$ (1,458)	\$ (811,712)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	13,053			13,053
Federal donated commodities	58,336			58,336
Interest reported as operating income			(3,543)	(3,543)
Changes in assets and liabilities:				
Increase in materials and supplies inventory	(5,451)			(5,451)
Increase in accounts receivable	(20)			(20)
Decrease in accounts payable	(31)	(9)		(40)
Increase in accrued wages and benefits	6,123			6,123
Decrease in compensated absences payable	(2,230)			(2,230)
Increase in due to other governments	1,333			1,333
Decrease in pension obligation payable	(144)			(144)
Decrease in claims payable		(90,327)		(90,327)
Increase in deferred revenue	<u>4,709</u>			<u>4,709</u>
<b>Net cash used in operating activities</b>	<b><u>\$ (356,776)</u></b>	<b><u>\$ (468,136)</u></b>	<b><u>\$ (5,001)</u></b>	<b><u>\$ (829,913)</u></b>

The notes to the general purpose financial statements are an integral part of this statement.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**1. DESCRIPTION OF THE ENTITY**

The Edison Local School District (the "District") is organized under Section 3311.03 of the Ohio Revised Code as a local district. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District currently ranks as the 183<sup>rd</sup> largest in terms of total enrollment among the 705 public and community school districts in the State of Ohio. The District is staffed by 109 non-certificated employees and 202 certificated full-time teaching personnel who provide services to 2,669 students and other community members.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the general purpose 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.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; 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. The District has no component units. The following organizations are described due to their relationship with the District.

**JOINTLY GOVERNED ORGANIZATIONS**

**Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)**

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a board of directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the board of directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During the year ended June 30, 2002, the District paid approximately \$42,870 to OME-RESA for basic service charges.

**Jefferson County Joint Vocational School**

The Jefferson County Joint Vocational School ("JVS") was established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its 6 member districts. The JVS is governed by a Board of Education comprised of 11 members appointed by the participating schools. The Board controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the District's continued participation and no measurable equity interest exists.

**INSURANCE PURCHASING 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 districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation - Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For general purpose financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types**

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 current 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 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 according to the general laws of Ohio.

**Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure 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 obligation 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).

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Types**

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following are the District's proprietary fund types:

**Enterprise Funds**

The enterprise funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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.

**Internal Service Fund**

The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

**3. 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 an expendable trust fund, a nonexpendable trust fund, and an agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary 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 budget basis, with note disclosure, regarding items, which, in other fund types, would be subject to accrual. See Note 3 for an analysis of the agency fund accruals, which, in other fund types, would be recognized in the combined balance sheet.

**4. 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 a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the District, except those accounted for in the proprietary or trust fund.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and 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 flow of current financial resources measurement focus.

With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the GPFS. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds and expendable trust fund. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is 60 days after fiscal year-end. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

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.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they 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 revenue on the combined balance sheet.

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 District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Jefferson 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 budget figures, as shown in the accompanying 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 level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. 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 prior to June 30, 2002; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund 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 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 for governmental fund types and Note 12 provides disclosure of the encumbrances outstanding for proprietary fund types at fiscal year-end.

**E. Cash and Investments**

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 year 2002, investments were limited to STAR Ohio, certificates of deposit, and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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 the investment could be sold for on June 30, 2002.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the expendable trust fund and the nonexpendable trust fund. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$73,934, which includes \$25,114 assigned from other funds.

For purpose of the combined statement of cash flows, investments of the cash management pool are considered to be cash equivalents because the District may access the proprietary funds' portion of the pool without prior notice or penalty. 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. Proprietary fund inventory includes donated food, purchased food and supplies.

**G. Fixed Assets and Depreciation**

**1. General Fixed Assets Account Group**

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for textbooks and library books. This is based primarily on the uniqueness of these items to school operations. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

**2. Proprietary Funds**

Equipment reflected in these funds are 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. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<b>Asset</b>	<b>Life (years)</b>
Furniture, fixtures and Equipment	5 - 20
Vehicles	10

**H. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the 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 with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at 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 of governmental fund type employees meeting the above requirements have been recorded as "compensated absences payable" 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 sick leave 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, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits 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. In general, payments made more than 60 days after year-end are considered not to have been made with current available financial resources. Long-term loans are reported as a liability of the general long-term obligations account group until due.

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

**J. 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 show 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. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable and payable". The District had short-term interfund loans receivable and payable at June 30, 2002.
4. 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. The District had no long-term advances receivable or payable at June 30, 2002.

An analysis of interfund transactions is presented in Note 5.

**K. Fund Balance Reserves**

The District records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepayments, tax revenue unavailable for appropriation, principal endowment, textbooks and capital acquisition. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations under State statute.

**L. Prepayments**

Prepayments for governmental funds represent cash disbursements, which have occurred and are, therefore, not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**M. Contributed Capital**

Contributed capital is recorded in proprietary funds that have received capital grants, or contributions from developers, customers, or other funds. These assets are recorded at their 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 retained earnings at year-end. There were no capital contributions received by the enterprise fund in 2002. Contributed capital in the enterprise fund at June 30, 2002, is \$1,000.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 17.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Estimates**

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

**P. Total Columns on General Purpose Financial Statements**

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate additional 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.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Fund Reclassification**

A fund reclassification is required to properly reflect the intended purpose of a special revenue fund. The fund had been previously reported as an enterprise fund and should be reported as a special revenue fund. The effect of the fund reclassification on fund balances, as previously reported at June 30, 2001 is as follows:

	<b>Special Revenue</b>	<b>Enterprise</b>
Fund balances as previously reported	\$ 77,982	\$ 97,549
Fund reclassification	<u>62,281</u>	<u>(62,281)</u>
Restated fund balances as of July 1, 2001	<u>\$140,263</u>	<u>\$35,268</u>

**B. Deficit Fund Balances/Retained Earnings**

Fund balance at June 30, 2002 included the following fund deficits:

<b>Special Revenue Funds</b>	<b>Deficit Balance</b>
District Managed Student Activities	\$ 7,255
Public School PreSchool	5,536
Ohio Reads 831	
Disadvantaged Pupil Impact Aid	68,381
Education Management Information Systems	710
 <b>Enterprise Funds</b>	
Recreation	1,067
 <b>Internal Service Fund</b>	
Employee Benefits Self-Insurance	320,797

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

These funds complied with Ohio State law, which does not permit a cash basis deficit year-end.

The deficit balance in the District Managed Student Activities special revenue fund is due to the recording of a note payable as a fund liability. This deficit will be eliminated as resources become available to repay the note.

The deficit fund balances in the Public School Preschool, Ohio Reads, Disadvantaged Pupil Impact Aid and Education Management Information Systems special revenue funds are caused by the application of GAAP, namely in the reporting of accrued wages, benefit, and pension obligations attributable to the fiscal year. These deficits will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Recreation enterprise fund is caused by the application of GAAP, namely in the reporting of accrued wages, benefits, and pension obligations attributable to the fiscal year. This deficit will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

The deficit fund balance in the Employee Benefits Self-Insurance internal service fund is due to the application of GAAP, in the reporting of "claims payable". This deficit will be eliminated by revenues not recognized at June 30.

**C. Agency funds**

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

**ASSETS**

Accounts receivable	\$140
---------------------	-------

**LIABILITIES**

Accounts payable	361
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**4. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**4. EQUITY IN POOLED CASH AND INVESTMENTS (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 (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies 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 or 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**4. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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 fiscal agent:** The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2002, was \$22,459.

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

**Deposits:** At year-end, the carrying amount of the District's deposits was \$(201,668) and the bank balance was \$160,856. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". Of the bank balance:

1. \$152,785 was covered by federal depository insurance; and
2. \$8,071 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 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 would potentially subject the District to a successful claim by the FDIC.

**Investments:** Investments are 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 securities held by the District. 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, but not in the District's name. Investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<b>Category 3</b>	<b>Reported Amount</b>	<b>Fair Value</b>
Repurchase Agreement	\$545,943	\$ 545,943	\$ 545,943
Investment in STAR Ohio		<u>2,160,295</u>	<u>2,160,295</u>
Total		<u>\$2,706,238</u>	<u>\$2,706,238</u>

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**4. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

The classification of cash and cash equivalents and investments on the combined financial statements 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".

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

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$ 2,426,544	\$ 100,485
Investments of the cash management pool:		
Investment in STAR Ohio	(2,160,295)	2,160,295
Certificates of deposit	100,485	(100,485)
Repurchase agreement	(545,943)	545,943
Cash with fiscal agent	<u>(22,459)</u>	<u>22,459</u>
 GASB Statement No. 3	 <u>\$ (201,668)</u>	 <u>\$2,728,697</u>

**5. INTERFUND TRANSACTIONS**

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

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
<b>General Fund</b>	\$ 39,631	\$
<b>Special Revenue Funds</b>		
Ohio Reads		28,975
Title I		<u>10,656</u>
Totals	<u>\$39,631</u>	<u>\$39,631</u>

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

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>General Fund</b>	\$	\$348,225
<b>Special Revenue Fund</b>		
Education Management Information Systems	9,124	1,805
<b>Debt Service Fund</b>	337,032	
<b>Enterprise Funds</b>		
Recreation	<u>3,874</u>	<u>-</u>
Total	<u>\$350,030</u>	<u>\$350,030</u>

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Jefferson, Carroll and Harrison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible 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, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance and recorded as revenue at June 30, 2002, was \$2,473,551 in the general fund.

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.

The assessed value upon which the 2001 taxes were collected was \$268,106,045. Agricultural/Residential and public utility/minerals real estate represented 47.48% or \$127,300,330 of this total; Commercial & Industrial real estate represented 12.21% or \$32,738,630 of this total, public utility tangible represented 36.00% or \$96,501,430 of this total and general tangible property represented 4.31% or \$11,565,655 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$27.60 per \$1,000 of assessed valuation for operations.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**7. RECEIVABLES**

Receivables at June 30, 2002, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<b>Amounts</b>
<b>General Fund</b>	
Taxes - current and delinquent	\$6,611,395
Accounts	14,597
Interfund loan	39,631
<b>Special Revenue Funds</b>	
Accounts	5,853
Due from other governments	255,311

**8. FIXED ASSETS**

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

Furniture and equipment	\$ 395,153
Less accumulated depreciation	<u>(335,854)</u>
Net fixed assets	<u>\$ 59,299</u>

The general fixed asset account group has been restated as of July 1, 2001 due to a prior year error in which several assets were recorded twice. In addition, a school bus was brought on at an incorrect value in the prior year. These adjustments are reflected below.

<b>Asset Category</b>	<b>Balance June 30, 2001</b>	<b>Correction</b>	<b>Balance July 1, 2001</b>
Land and improvements	\$ 652,045		\$ 652,045
Buildings and improvements	7,775,533	(362,911)	7,412,622
Furniture and equipment	3,090,030	(90,000)	3,000,030
Vehicles	2,010,706	2,200	2,012,906
Books	<u>916,737</u>	<u>          </u>	<u>916,737</u>
<b>Total</b>	<b><u>\$14,445,051</u></b>	<b><u>(\$450,711)</u></b>	<b><u>\$13,994,340</u></b>

A summary of the changes in general fixed assets during fiscal year 2002 as follows:

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**8. FIXED ASSETS (Continued)**

<b>Asset Category</b>	<b>Balance July 1, 2001</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2002</b>
Land and improvements	\$ 652,045	\$	\$	\$ 652,045
Buildings and improvements	7,412,622	189,029		7,601,651
Furniture, fixtures and equipment	3,000,030	127,591	(17,211)	3,110,410
Vehicles	2,012,906	650,412	(619,035)	2,044,283
Books	<u>916,737</u>	<u>          </u>	<u>          </u>	<u>916,737</u>
Total	<u>\$13,944,340</u>	<u>\$967,032</u>	<u>\$(636,246)</u>	<u>\$14,325,126</u>

**9. LONG-TERM OBLIGATIONS**

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

-----	<b>Balance July 1, 2001</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2002</b>
Term loan	\$ 676,666	\$	\$(270,667)	\$ 405,999
General obligation bonds	70,000		(35,000)	35,000
Pension obligation payable	129,741	125,473	(129,741)	125,473
Compensated absences	<u>1,357,909</u>		<u>(14,178)</u>	<u>1,343,731</u>
Total	<u>\$2,234,316</u>	<u>\$125,473</u>	<u>\$(449,586)</u>	<u>\$1,910,203</u>

B. On June 7, 1999, the District received \$1,218,000 in proceeds from a term loan. The loan bears an interest rate of 4.5% and was obtained through Citizen's National Bank. The proceeds were used to repay an energy conservation loan and a tax anticipation note and to finance a new addition to the high school.

On June 1, 1999, the District issued \$135,000 in general obligation bonds in connection with the 1999 Ohio District Borrowing Program. These bonds bear an annual rate of 5.10% to 5.15% and mature in fiscal year 2003.

The loan and bonds are a general obligation of the District for which full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligation account group. Payments of principal and interest relating to this liability is recorded as an expenditure in the debt service fund.

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

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$305,667	\$16,346	\$322,013
2004	<u>135,332</u>	<u>3,095</u>	<u>138,427</u>
Total	<u>\$440,999</u>	<u>\$19,441</u>	<u>\$460,440</u>

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**9. LONG-TERM OBLIGATIONS (Continued)**

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002, are a voted debt margin of \$24,094,544 and an unvoted debt margin of \$268,106.

**10. LEASE-PURCHASE AGREEMENT**

A. On September 15, 1999, the District entered into a lease-purchase agreement with Sky Bank for the acquisition of new bleachers. In accordance with the terms of the agreement, the District received note proceeds of \$90,000 in the District Managed Student Activities special revenue fund. The proceeds were used to purchase new bleachers. This note, which is considered a revenue anticipation note, bears an interest rate of 4.95% and matures September 15, 2005. Principal and interest payments will be made out of the District Managed Student Activities fund. The following is a description of the District's revenue anticipation note outstanding as of June 30, 2002.

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance July 1, 2001</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance June 30, 2002</b>
Revenue Anticipation Note Payable	4.95%	9/15/05	<u>\$61,541</u>	\$	<u>\$(8,580)</u>	<u>\$52,961</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for the revenue anticipation note:

<b>Fiscal Year Ending June 30</b>	<b>Principal on Notes</b>	<b>Interest on Notes</b>	<b>Total</b>
2003	\$ 9,277	\$2,190	\$11,467
2004	9,519	1,948	11,467
2005	<u>34,165</u>	<u>413</u>	<u>34,578</u>
Total	<u>\$52,961</u>	<u>\$4,551</u>	<u>\$57,512</u>

**11. RISK MANAGEMENT**

**A. Comprehensive**

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 has contracted with the following insurance companies to provide coverage in the following amounts:

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

<b>Coverage</b>	<b>Limits of Coverage</b>	<b>Deductible</b>
<b>Harcum-Hyre Insurance Company</b>		
General liability:		
Each occurrence	\$ 1,000,000	\$ 1,000
Aggregate	5,000,000	1,000
Umbrella liability:		
Each occurrence	1,000,000	10,000
Aggregate	1,000,000	10,000
<b>Nationwide Insurance Company</b>		
<b>Fleet:</b>		
Comprehensive	1,000,000	0
Collision	3,000,000	500
<b>Indiana Insurance Company</b>		
Building and contents	45,723,524	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

**B. Fidelity Bond**

The Treasurer is covered under a surety bond in the amount of \$50,000. All other school employees who are responsible for handling funds are covered by a \$10,000 fidelity bond.

**C. Medical, Vision, Dental and Prescription Insurance**

Medical, vision, dental and prescription insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several Districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$343,256 reported in the internal service fund at June 30, 2002, is based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<b>Fiscal Year</b>	<b>Beginning Balance</b>	<b>Claims Incurred</b>	<b>Claims Payments</b>	<b>Ending Balance</b>
2002	\$433,583	\$2,832,944	\$(2,923,271)	\$343,256
2001	58,974	1,987,021	(1,612,412)	433,583

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

**D. Worker's Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to 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.

**12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains four enterprise funds to account for the operations of food service, uniform school supplies, a swimming program and preschool operations. The following table reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	<b>Food Service</b>	<b>Uniform Supplies</b>	<b>Adult Recreation</b>	<b>Total Enterprise Funds</b>
Operating revenues	\$ 256,191	\$1,236	\$	\$ 257,427
Operating expenses less				
Depreciation	671,346	161	5,321	676,828
Depreciation expense	13,053			13,053
Operating income/(loss)	(428,208)	1,075	(5,321)	(432,454)
Donated commodities	58,336			58,336
Operating grants	342,650			342,650
Operating transfers in			3,874	3,874
Net income/(loss)	(27,222)	1,075	2,009	(24,138)
Net working capital	(35,216)	1,258	(1,067)	(35,025)
Total assets	104,265	1,258	1,177	106,700
Total liabilities	92,326		2,244	94,570
Contributed capital	1,000			1,000
Total equity	11,939	1,258	(1,067)	12,130
Encumbrances outstanding at June 30, 2002	508			508

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**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 uses 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 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$295,102, \$280,734, and \$297,842, respectively; 45.35 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$161,280, representing 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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,092,221, \$1,067,985, and \$1,053,435, respectively; 81.85 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$198,220, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**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 \$351,071 during fiscal 2002.

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 \$215,156 during the 2002 fiscal year.

**15. BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - 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:

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for 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  
All Governmental Fund Types**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
Budget basis	\$ 434,765	\$(186,018)	\$	\$(17,295)
Revenue accruals	(2,325,833)	237,634		
Expenditure accruals	(42,059)	(56,292)		
Other financing sources (uses) accruals	2,327	(39,632)		
Encumbrances	<u>182,469</u>	<u>82,639</u>	_____	
GAAP basis	<u><u>\$(1,748,331)</u></u>	<u><u>\$ 38,331</u></u>	<u><u>\$</u></u>	<u><u>\$(17,295)</u></u>

**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 no material litigation as either plaintiff or defendant.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**16. CONTINGENCIES (Continued)**

**C. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**17. STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside cash balance as of June 30, 2001	\$ 125,715	\$ 235,454
Current year set-aside requirement	312,601	312,601
Current year offsets	-	-
Qualifying disbursements	<u>(339,957)</u>	<u>(540,439)</u>
Total	<u>\$ 98,359</u>	<u>\$ 7,616</u>
Cash balance carried forward to FY 2003	<u>\$ 98,359</u>	<u>\$ 7,616</u>

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

Amount restricted for textbooks	\$98,359
Amount restricted for capital acquisition	<u>7,616</u>
Total restricted assets	<u>\$105,975</u>

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**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$63,045		\$58,336
National School Breakfast Program		10.553	\$66,532		\$66,532	
National School Lunch Program		10.555	253,154		253,154	
Special Milk Program		10.556	1,236		1,236	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>320,922</u>	<u>63,045</u>	<u>320,922</u>	<u>58,336</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-01 6B-SF-02	84.027	39,577 159,792 199,369		37,693 158,010 195,703	
Special Education - Preschool Grant	PG-S1-01 PG-S1-02	84.173	15,507 15,507		763 14,347 15,110	
Total Special Education Cluster			<u>214,876</u>		<u>210,813</u>	
Adult Education- State Grant Program	AB-S1-02	84.002	78,991		75,403	
Title VI R Classroom Reduction Grant	CR-S1-02	84.340	72,248		79,780	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01 C1-S1-01C C1-S1-02	84.010	66,638 73,302 509,725 649,665		173,833 38,754 519,171 731,758	
Innovative Educational Program Strategies	C2-S1-00 C2-S1-01 C2-S1-02	84.298	3,021 8,990 12,011		4,638 6,426 5,597 16,661	
Drug-Free Schools Grant	DR-S1-02	84.186	10,700		10,792	
Eisenhower Professional Development Grant	MS-S1-01 MS-S1-02	84.281	16,716 16,716		2,299 1,979 4,278	
Fund for Improvement of Education	N/A	84.215K	46,000		35,710	
Total Department of Education			<u>1,101,207</u>		<u>1,165,195</u>	
<b>Totals</b>			<u>\$1,422,129</u>	<u>\$63,045</u>	<u>\$1,486,117</u>	<u>\$58,336</u>

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2002**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. FOOD DISTRIBUTION**

Non monetary assistance, such as food received from the U.S. Department of agriculture, is reported in the schedule at the fair 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.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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

Edison Local School District  
Jefferson County  
P.O. Box 158  
Hammondsville, Ohio 43930

To the Board of Education:

We have audited the accompanying financial statements of Edison Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated November 1, 2002. 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 Edison Local School 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 an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 1, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Edison Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 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 November 1, 2002.

Edison Local School District  
Jefferson County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

**Jim Petro**  
Auditor of State

November 1, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Edison Local School District  
Jefferson County  
P.O. Box 158  
Hammondsville, Ohio 43930

To the Board of Education:

**Compliance**

We have audited the compliance of Edison Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. Edison Local School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Edison Local School District's management. Our responsibility is to express an opinion on Edison Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular 133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular 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 Edison Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Edison Local School District's compliance with those requirements.

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

**Internal Control Over Compliance**

The management of Edison Local School 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 Edison Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an 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, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

November 1, 2002

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY  
JUNE 30, 2002**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<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):	CFDA# 84.010
<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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None	
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<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None	
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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**EDISON LOCAL SCHOOL DISTRICT**

**JEFFERSON 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  
JANUARY 9, 2003**