



**Auditor of State  
Betty Montgomery**



**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Edison Local School District, Jefferson County (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Edison Local School District, Jefferson County, as of June 30, 2003, and the respective changes in financial position and the respective cash flows, where applicable and the applicable budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

November 17, 2003

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

The discussion and analysis of the Edison Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$1,812,832 which represents a 30.89% decrease from 2002.
- General revenues accounted for \$13,229,589 in revenue or 77.63% of all revenues. The District reported a \$17,390 gain on sale of capital assets which is reported as a special item. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,797,208 or 22.28% of total revenues of \$17,044,187.
- The District had \$18,857,019 in expenses related to governmental activities; only \$3,797,208 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,229,589 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$13,157,950 in revenues and other financing sources and \$15,594,443 in expenditures and other financing uses. During fiscal 2003, the general fund's fund balance decreased \$2,436,493 from \$2,790,598 to \$354,105.

**Using this Financial Report**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

	<b>Net Assets</b>
	Governmental Activities 2003
	<u>                    </u>
<b><u>Assets</u></b>	
Current and other assets	\$ 9,528,305
Capital assets	<u>5,021,139</u>
Total assets	<u>14,549,444</u>
<b><u>Liabilities</u></b>	
Current liabilities	8,812,523
Long-term liabilities	<u>1,681,934</u>
Total liabilities	<u>10,494,457</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	4,885,807
Restricted	33,795
Unrestricted	<u>(864,615)</u>
Total net assets	<u>\$ 4,054,987</u>

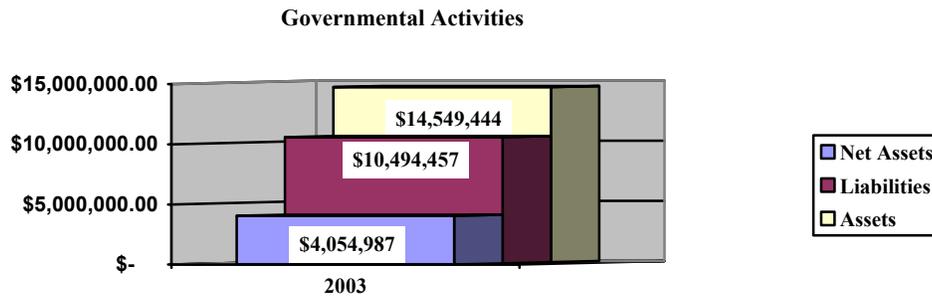
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$4,054,987.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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At year-end, capital assets represented 34.51% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, textbooks and library books and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2003, was \$4,885,807. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$33,795, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$(864,615) may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2003
<b>Revenues</b>	
Program revenues:	
Charges for services and sales	\$ 551,428
Operating grants and contributions	3,204,369
Capital grants and contributions	41,411
General revenues:	
Property taxes	4,851,586
Grants and entitlements	8,318,504
Investment earnings	42,212
Other	17,287
Special item	17,390
Total revenues	<u>\$ 17,044,187</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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**Change in Net Assets**

	Governmental Activities <u>2003</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 8,468,109
Special	2,104,504
Vocational	245,065
Other	59,016
Support services:	
Pupil	648,203
Instructional staff	889,166
Board of education	135,275
Administration	1,442,872
Fiscal	374,144
Business	21,578
Operations and maintenance	1,482,152
Pupil transportation	1,633,907
Central	132,055
Operations of non-instructional services	5,730
Food service operations	725,235
Extracurricular activities	472,316
Interest and fiscal charges	<u>17,692</u>
Total expenses	<u>18,857,019</u>
Decrease in net assets	<u>\$ (1,812,832)</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,812,832. Total governmental expenses of \$18,857,019 were offset by program revenues of \$3,797,208 and general revenues of \$13,246,979. Program revenues supported 20.14% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, grants and state foundation. These three revenue sources represent 79.86% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Jefferson County in 2000, the District's tax valuation increased slightly. With the increase in property valuation the District is now operating at the 20 mill floor which is the state minimum required property tax funding for a school district's operations. Due to this, the District is able to receive the full advantage of property tax valuation increases.

Electric deregulation has changed the District's revenue structure. The tax loss of \$4,488,208 has been subject to a revenue replacement mechanism that the state has implemented. A total of \$4,108,003 was added to state aid in fiscal year 2003 while the local share was reduced by \$4,488,208.

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

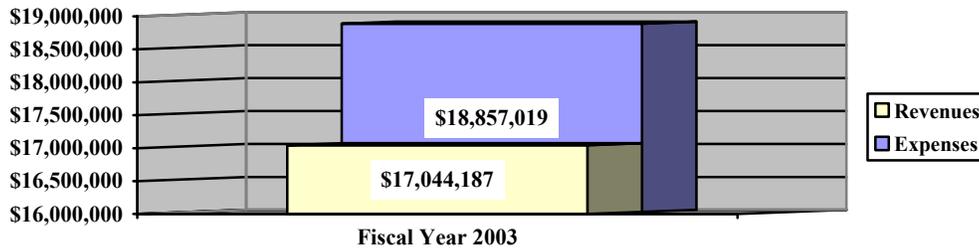
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED**

Voters renewed the school district's emergency levy in November 1999. This levy, which generates approximately \$1,049,050 million per year for five years, is expected to provide revenue for general fund operating expenses through the fiscal year 2004.

The District's financial condition has decreased significantly in recent years, primarily due to health care costs. The District spent \$1,700,000 in 1998 and we will spend \$3,600,000 by June 30, 2004. The District has not passed an operating levy since 1970. The District is operating with very old revenues and expenses, and yet continues to grow. The state's budget cuts will cost the District \$234,000 in fiscal year 2004.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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**Governmental Activities**

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
<b>Program expenses</b>		
Instruction:		
Regular	\$ 8,468,109	\$ 7,343,794
Special	2,104,504	1,390,231
Vocational	245,065	233,509
Other	59,016	59,016
Support services:		
Pupil	648,203	432,399
Instructional staff	889,166	392,619
Board of education	135,275	135,275
Administration	1,442,872	1,201,465
Fiscal	374,144	374,144
Business	21,578	21,578
Operations and maintenance	1,482,152	1,481,029
Pupil transportation	1,633,907	1,576,728
Central	132,055	51,058
Operations of non-instructional services	5,730	1,624
Food service operations	725,235	54,561
Extracurricular activities	472,316	293,089
Interest and fiscal charges	<u>17,692</u>	<u>17,692</u>
Total expenses	<u>\$ 18,857,019</u>	<u>\$ 15,059,811</u>

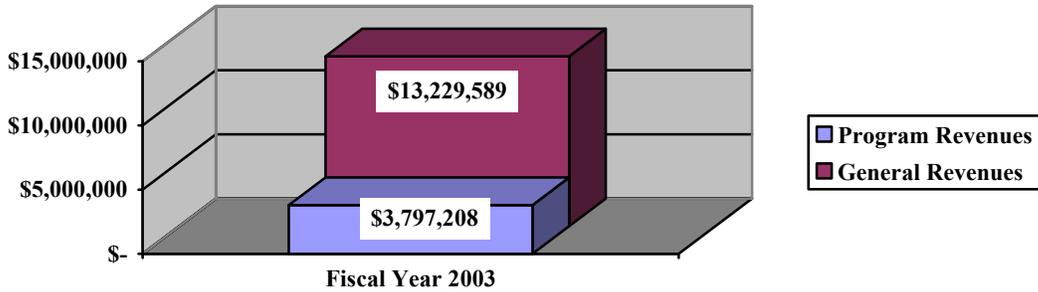
The dependence upon tax and other general revenues for governmental activities is apparent, 83.32% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.86%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$314,234, which is lower than last year's total of \$2,959,643. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	<u>June 30, 2003</u>	<u>June 30, 2002</u>	<u>Decrease</u>
General	\$ 354,105	\$ 2,790,598	\$ (2,436,493)
Other Governmental	<u>(39,871)</u>	<u>169,045</u>	<u>(208,916)</u>
Total	<u>\$ 314,234</u>	<u>\$ 2,959,643</u>	<u>\$ (2,645,409)</u>

**General Fund**

The District's general fund balance decreased \$2,436,493. The decrease in fund balance can be attributed to a decrease of \$1,949,008 in tax advances available for appropriation and due to expenditures exceeding revenues in fiscal year 2003 by \$2,104,052. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 4,684,616	\$ 6,099,213	(23.19)%
Earnings on investments	39,185	73,934	47.00
Intergovernmental	8,318,504	6,510,230	27.78
Other revenues	<u>41,795</u>	<u>170,038</u>	(75.42)
 Total	 <u>\$ 13,084,100</u>	 <u>\$ 12,853,415</u>	 1.80%
<b><u>Expenditures</u></b>			
Instruction	\$ 8,841,694	\$ 8,377,150	5.55
Support services	6,052,562	5,634,044	7.43
Operation of non-instructional services	45	101	(55.45)
Extracurricular activities	<u>293,851</u>	<u>246,226</u>	19.34
 Total	 <u>\$ 15,188,152</u>	 <u>\$ 14,257,521</u>	 6.53

***General Fund Budgeting Highlights***

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

During the course of fiscal 2003, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$15,871,246, which is higher than the original budgeted revenues and other financing sources estimate of \$15,585,361. Actual revenues and other financing sources for fiscal 2003 was \$15,724,405. This represents a \$146,841 decrease over final budgeted revenues. This decrease is primarily due to reduction in parity aid. The state's projection was \$540,000 for fiscal year 2003 and the District actually received \$333,215.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$16,214,948 were increased to \$16,640,749 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$16,144,211, which was \$496,538 less than the final budget appropriations. The increases in appropriations were caused by the District's health insurance rates increasing at a pace greater than estimated.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2003, the District had \$5,021,139 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and infrastructure. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2003	2002
Land	\$ 139,943	\$ 139,943
Land improvements	146,854	146,277
Buildings and improvements	3,110,003	2,955,418
Furniture and equipment	191,763	213,991
Vehicles	1,044,125	1,008,891
Textbooks	349,940	401,795
Infrastructure	38,511	41,703
Total	\$ 5,021,139	\$ 4,908,018

The primary increase occurred in building improvements, which include roof repairs, boilers and electrical updates to keep up with technology. The District also acquired \$193,409 in new vehicles (including 3 buses) during fiscal 2003. Total additions to capital assets for 2003 were \$537,669 and total disposals were \$751,450. During fiscal 2003, the District auctioned off the Knoxville building, for a net gain of \$17,390, which is presented as a special item on the Statement of Activities.

***Debt Administration***

At June 30, 2003, the District had \$135,332 in a term loan and \$43,943 in a revenue note outstanding. Of this total, \$145,110 is due within one year and \$34,165 is due within more than one year. The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2003	Governmental Activities 2002
General obligation bonds	\$ -	\$ 35,000
Term loan payable	135,332	270,667
Revenue anticipation note	43,943	52,961
Total	\$ 179,275	\$ 358,628

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%. 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. Payment of principal and interest of the loan is being made from the debt service fund.

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 matured in fiscal year 2003. Payment of principal and interest were made from the debt service fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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On September 15, 1999, the District received note proceeds of \$90,000 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.

At June 30, 2003, the District's overall legal debt margin was \$24,346,943 with an unvoted debt margin of \$270,522. The District maintains an AAA bond rating.

**For the Future**

As the preceding information shows, the District relies heavily upon grants, state foundation and property taxes. An increase in property taxes of about \$162,000 is anticipated in fiscal year 2005 as the Wal-Mart Distribution Center goes on the tax duplicate and the Duquesne Light Settlement is paid in full. However, this additional tax revenue alone will not alleviate our future deficit.

The first challenge will be the renewal of the District's 2.8 mill emergency levy in November of 2004. The next challenge will be restructuring health care benefits for the district and making the cost more affordable to the district. Thirdly, the District is hoping for a successful operating levy and bond issue in the very near future. The District currently has a sufficient cash balance to meet operating expenses of the district through fiscal year 2004.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

The District has not anticipated a significant growth in State revenue. The concern is that, to meet the requirements of the court, the State may require redistribution of commercial and industrial property tax. With approximately thirty-five percent of taxes paid for the District coming from business or industry, this could have a significant impact on the District's residential taxpayers.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Julie Marks, Treasurer, Edison Local School District, 14890 St. Rt. 213, P.O. Box 158, Hammondsville, Ohio 43930.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2003

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,916,159
Cash with fiscal agent . . . . .	125,273
Receivables:	
Taxes . . . . .	7,256,685
Accounts . . . . .	1,952
Intergovernmental . . . . .	200,310
Prepayments . . . . .	19,605
Materials and supplies inventory . . . . .	8,321
Capital assets:	
Land . . . . .	139,943
Depreciable capital assets, net . . . . .	4,881,196
Capital assets, net. . . . .	5,021,139
 Total assets. . . . .	 14,549,444
 <b>Liabilities:</b>	
Accounts payable. . . . .	26,893
Accrued wages and benefits . . . . .	1,889,726
Pension obligation payable. . . . .	302,405
Intergovernmental payable . . . . .	85,510
Deferred revenue . . . . .	6,260,457
Accrued interest payable . . . . .	3,275
Claims payable . . . . .	244,257
Long-term liabilities:	
Due within one year. . . . .	270,583
Due within more than one year . . . . .	1,411,351
Total liabilities . . . . .	10,494,457
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	4,885,807
Restricted for:	
Capital projects . . . . .	477
Other purposes . . . . .	33,318
Unrestricted (deficit) . . . . .	(864,615)
Total net assets . . . . .	\$ 4,054,987

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

		Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 8,468,109	\$ 717	\$ 1,123,598	\$ -	\$ (7,343,794)
Special . . . . .	2,104,504	-	714,273	-	(1,390,231)
Vocational . . . . .	245,065	-	11,556	-	(233,509)
Other . . . . .	59,016	-	-	-	(59,016)
Support services:					
Pupil . . . . .	648,203	-	215,804	-	(432,399)
Instructional staff . . . . .	889,166	-	496,547	-	(392,619)
Board of education . . . . .	135,275	-	-	-	(135,275)
Administration . . . . .	1,442,872	80,658	160,749	-	(1,201,465)
Fiscal . . . . .	374,144	-	-	-	(374,144)
Business . . . . .	21,578	-	-	-	(21,578)
Operations and maintenance . . . . .	1,482,152	380	743	-	(1,481,029)
Pupil transportation . . . . .	1,633,907	28,851	28,328	-	(1,576,728)
Central . . . . .	132,055	-	39,586	41,411	(51,058)
Operation of non-instructional services:					
Food service operations . . . . .	725,235	259,489	411,185	-	(54,561)
Other non-instructional services . . . . .	5,730	2,106	2,000	-	(1,624)
Extracurricular activities . . . . .	472,316	179,227	-	-	(293,089)
Interest and fiscal charges . . . . .	17,692	-	-	-	(17,692)
<b>Total governmental activities . . . . .</b>	<b>\$ 18,857,019</b>	<b>\$ 551,428</b>	<b>\$ 3,204,369</b>	<b>\$ 41,411</b>	<b>(15,059,811)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					4,851,586
Grants and entitlements not restricted to specific programs . . . . .					8,318,504
Investment earnings . . . . .					42,212
Miscellaneous . . . . .					17,287
<b>Total general revenues . . . . .</b>					<b>13,229,589</b>
<b>Special item:</b>					
Gain on sale of capital assets . . . . .					17,390
<b>Total general revenues and special item . . . . .</b>					<b>13,246,979</b>
Change in net assets . . . . .					(1,812,832)
Net assets at beginning of year . . . . .					5,867,819
Net assets at end of year . . . . .					\$ 4,054,987

The notes to the basic financial statements are integral part of this statement.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,517,095	\$ 273,889	\$ 1,790,984
Receivables:			
Taxes . . . . .	7,256,685	-	7,256,685
Accounts . . . . .	490	1,462	1,952
Intergovernmental . . . . .	-	200,310	200,310
Interfund loans . . . . .	14,987	-	14,987
Due from other funds . . . . .	9,832	-	9,832
Prepayments . . . . .	19,605	-	19,605
Materials and supplies inventory . . . . .	-	8,321	8,321
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	125,175	-	125,175
<b>Total assets . . . . .</b>	<b>\$ 8,943,869</b>	<b>\$ 483,982</b>	<b>\$ 9,427,851</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 17,342	\$ 9,551	\$ 26,893
Accrued wages and benefits . . . . .	1,571,934	317,792	1,889,726
Compensated absences payable . . . . .	29,026	1,892	30,918
Pension obligation payable . . . . .	169,774	32,818	202,592
Intergovernmental payable . . . . .	69,546	15,964	85,510
Interfund loan payable . . . . .	-	14,987	14,987
Due to other funds . . . . .	-	9,832	9,832
Deferred revenue . . . . .	6,732,142	77,074	6,809,216
Note payable . . . . .	-	43,943	43,943
<b>Total liabilities . . . . .</b>	<b>8,589,764</b>	<b>523,853</b>	<b>9,113,617</b>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	86,636	133,659	220,295
Reserved for materials and supplies inventory . . . . .	-	8,321	8,321
Reserved for prepayments . . . . .	19,605	-	19,605
Reserved for tax revenue available for appropriation . . . . .	524,543	-	524,543
Reserved for textbooks . . . . .	125,175	-	125,175
Unreserved, undesignated, reported in:			
General fund . . . . .	(401,854)	-	(401,854)
Special revenue funds . . . . .	-	(182,328)	(182,328)
Capital projects funds . . . . .	-	477	477
<b>Total fund balances . . . . .</b>	<b>354,105</b>	<b>(39,871)</b>	<b>314,234</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 8,943,869</b>	<b>\$ 483,982</b>	<b>\$ 9,427,851</b>

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2003

<b>Total governmental fund balances</b>		\$	314,234
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,021,139
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	471,685	
Intergovernmental revenue		<u>77,074</u>	
Total			548,759
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(118,984)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		1,471,741	
Pension obligation payable		99,813	
Term loan payable		135,332	
Accrued interest payable		<u>3,275</u>	
Total			<u>(1,710,161)</u>
<b>Net assets of governmental activities</b>		\$	<u><u>4,054,987</u></u>

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 4,684,616	\$ -	\$ 4,684,616
Tuition. . . . .	-	10,789	10,789
Charges for services. . . . .	-	259,489	259,489
Earnings on investments. . . . .	39,185	-	39,185
Extracurricular. . . . .	-	181,298	181,298
Other local revenues. . . . .	41,795	84,133	125,928
Intergovernmental - State . . . . .	8,318,504	1,190,519	9,509,023
Intergovernmental - Federal. . . . .	-	1,904,253	1,904,253
Total revenue . . . . .	<u>13,084,100</u>	<u>3,630,481</u>	<u>16,714,581</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	7,248,591	1,166,785	8,415,376
Special. . . . .	1,311,068	799,461	2,110,529
Vocational. . . . .	223,519	12,000	235,519
Other . . . . .	58,516	500	59,016
Support services:			
Pupil. . . . .	442,582	201,874	644,456
Instructional staff . . . . .	343,589	552,164	895,753
Board of education . . . . .	135,272	-	135,272
Administration. . . . .	1,160,791	258,412	1,419,203
Fiscal . . . . .	378,671	-	378,671
Business . . . . .	20,855	-	20,855
Operations and maintenance. . . . .	1,844,152	683	1,844,835
Pupil transportation . . . . .	1,674,433	28,702	1,703,135
Central. . . . .	52,217	79,847	132,064
Operation of non-instructional services:			
Food service operations . . . . .	-	661,132	661,132
Other non-instructional services . . . . .	45	6,349	6,394
Extracurricular activities. . . . .	293,851	160,753	454,604
Debt service:			
Principal retirement . . . . .	-	305,667	305,667
Interest and fiscal charges . . . . .	-	19,680	19,680
Total expenditures . . . . .	<u>15,188,152</u>	<u>4,254,009</u>	<u>19,442,161</u>
Excess of revenues under expenditures . . . . .	<u>(2,104,052)</u>	<u>(623,528)</u>	<u>(2,727,580)</u>
<b>Other financing sources (uses):</b>			
Transfers in. . . . .	-	420,826	420,826
Transfers (out) . . . . .	(406,291)	(14,535)	(420,826)
Proceeds from sale of capital assets. . . . .	73,850	-	73,850
Total other financing sources (uses) . . . . .	<u>(332,441)</u>	<u>406,291</u>	<u>73,850</u>
Net change in fund balances . . . . .	(2,436,493)	(217,237)	(2,653,730)
<b>Fund balances at beginning of year (restated) . . . . .</b>	<b>2,790,598</b>	<b>169,045</b>	<b>2,959,643</b>
<b>Increase in reserve for inventory. . . . .</b>	<b>-</b>	<b>8,321</b>	<b>8,321</b>
<b>Fund balances at end of year. . . . .</b>	<b><u>\$ 354,105</u></b>	<b><u>\$ (39,871)</u></b>	<b><u>\$ 314,234</u></b>

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<b>Net change in fund balances - total governmental funds</b>	\$	(2,653,730)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		194,585
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(81,464)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		8,321
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		244,044
Repayment of bonds, loans and capital lease are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		305,667
In the statement of activities, interest is accrued on outstanding notes and loans, whereas in governmental funds, an interest expenditure is reported when due.		1,988
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(34,056)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		201,813
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(1,812,832)</b>

The notes to the basic financial statement are an integral part of this statement.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

STATEMENT IN REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$6,535,332	\$6,655,211	\$6,633,624	\$ (21,587)
Earnings on investments. . . . .	39,329	40,050	39,185	(865)
Other local revenues. . . . .	30,147	30,700	41,391	10,691
Intergovernmental - State . . . . .	8,329,384	8,482,171	8,318,504	(163,667)
Total revenue . . . . .	<u>14,934,192</u>	<u>15,208,132</u>	<u>15,032,704</u>	<u>(175,428)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,262,473	7,453,185	7,243,916	209,269
Special. . . . .	1,274,473	1,307,940	1,294,100	13,840
Vocational. . . . .	221,003	226,807	215,895	10,912
Other . . . . .	73,117	75,037	67,944	7,093
Support services:				
Pupil. . . . .	474,296	486,751	458,176	28,575
Instructional staff . . . . .	330,912	339,602	333,435	6,167
Board of education . . . . .	161,765	166,013	155,843	10,170
Administration. . . . .	1,165,900	1,196,516	1,143,871	52,645
Fiscal . . . . .	375,736	385,603	381,687	3,916
Business . . . . .	20,419	20,955	20,789	166
Operations and maintenance. . . . .	1,849,321	1,897,884	1,885,163	12,721
Pupil transportation . . . . .	1,636,170	1,679,135	1,621,918	57,217
Central. . . . .	97,921	100,492	52,479	48,013
Operation of non-instructional services . . . . .	117	120	45	75
Extracurricular activities. . . . .	285,394	292,888	292,142	746
Total expenditures . . . . .	<u>15,229,017</u>	<u>15,628,928</u>	<u>15,167,403</u>	<u>461,525</u>
Excess of revenues over (under) expenditures. . . . .	<u>(294,825)</u>	<u>(420,796)</u>	<u>(134,699)</u>	<u>286,097</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	517,452	526,944	555,531	28,587
Transfers (out) . . . . .	(937,210)	(961,821)	(961,821)	-
Advances in . . . . .	38,918	39,632	39,632	-
Advances (out) . . . . .	(48,721)	(50,000)	(14,987)	35,013
Refund of prior year expenditure . . . . .	22,279	22,688	22,688	-
Proceeds from sale of capital assets. . . . .	72,520	73,850	73,850	-
Total other financing sources (uses) . . . . .	<u>(334,762)</u>	<u>(348,707)</u>	<u>(285,107)</u>	<u>63,600</u>
Net change in fund balance . . . . .	(629,587)	(769,503)	(419,806)	349,697
<b>Fund balance at beginning of year . . . . .</b>	1,785,601	1,785,601	1,785,601	-
<b>Prior year encumbrances appropriated . . . . .</b>	182,469	182,469	182,469	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,338,483</u>	<u>\$ 1,198,567</u>	<u>\$ 1,548,264</u>	<u>\$ 349,697</u>

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

EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2003

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Cash with fiscal agent . . . . .	\$ 125,273
Total assets . . . . .	<u>125,273</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>244,257</u>
Total liabilities . . . . .	<u>244,257</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>(118,984)</u>
Total net assets . . . . .	<u>\$ (118,984)</u>

The notes to the basic financial statements are in integral part of this statement.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 3,029,827
Total operating revenues . . . . .	<u>3,029,827</u>
<b>Operating expenses:</b>	
Claims. . . . .	<u>2,831,041</u>
Total operating expenses . . . . .	<u>2,831,041</u>
Operating income . . . . .	<u>198,786</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>3,027</u>
Total nonoperating revenues. . . . .	<u>3,027</u>
Change in net assets . . . . .	201,813
<b>Net assets (deficit) at beginning of year . . . . .</b>	<u>(320,797)</u>
<b>Net assets (deficit) at end of year . . . . .</b>	<u><u>\$ (118,984)</u></u>

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 3,029,827
Cash payments for claims. . . . .	<u>(2,930,040)</u>
Net cash provided by operating activities . . . . .	<u>99,787</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>3,027</u>
Net cash provided by investing activities . . . . .	<u>3,027</u>
Net increase in cash and cash equivalents . . . . .	102,814
<b>Cash and cash equivalents at beginning of year. . .</b>	<u>22,459</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 125,273</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 198,786
Changes in assets and liabilities:	
Decrease in claims payable . . . . .	<u>(98,999)</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 99,787</u></u>

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2003

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 5,590	\$ 87,878
Investments . . . . .	100,333	
Receivables:		
Accounts . . . . .	-	78
 Total assets . . . . .	 105,923	 87,956
<b>Liabilities:</b>		
Accounts payable . . . . .	-	5,173
Intergovernmental payable . . . . .	-	123
Due to students . . . . .	-	82,660
 Total liabilities . . . . .	 -	 \$ 87,956
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	105,923	
 Total net assets . . . . .	 \$ 105,923	

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 3,175
Gifts and contributions . . . . .	1,500
	4,675
Total additions . . . . .	4,675
<b>Deductions:</b>	
Scholarships awarded . . . . .	8,000
	(3,325)
Change in net assets . . . . .	(3,325)
Net assets at beginning of year . . . . .	109,248
	105,923
Net assets at end of year . . . . .	\$ 105,923

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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 185<sup>th</sup> largest in terms of total enrollment among the 740 public and community school districts in the State of Ohio. The District is staffed by 109 non-certified employees and 202 certified full-time teaching personnel who provide services to 2,697 students and other community members.

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government 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 gain access to the organizations' 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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

*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.

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, 2003, the District paid approximately \$71,769 to OME-RESA for basic service charges.

Jefferson County Joint Vocational School

The Jefferson County Joint Vocational School (JVS), established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its six 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.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

*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 the Plan to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

*Internal Service Fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical, vision, dental and prescription benefits to its employees.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

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

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

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Basis of Accounting**

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

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. 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 2003 is as follows:

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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 2003.
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.
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. Appropriations 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, 2003, 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.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. 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 basic financial statements.

During fiscal year 2003, 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.

The District has invested funds in STAR Ohio during fiscal 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 and the private purpose trust funds. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$39,185, which includes \$9,397 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. During fiscal year 2003, the District increased its capitalization threshold from \$500 to \$4,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years
Textbooks	20 years
Infrastructure	50 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2003, 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 ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, and textbooks. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund

**N. Net Assets**

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

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

**O. Prepayments**

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

**P. Estimates**

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**Q. 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 16.

**R. Interfund Activity**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2003, the district incurred a transaction that would be classified as a special item. The special item relates to the sale of capital assets (the Knoxville building). The gain related to the sale is reflected as a special item on the Statement of Activity.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

**Governmental Activities - Fund Reclassification and Restatement of Fund Balance -** Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise funds and expendable trust funds have been reclassified and are now part of the general fund and other nonmajor governmental funds. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2002	\$ 2,772,251	\$ 178,799	\$ 2,951,050
Fund reclassifications	-	(12,027)	(12,027)
Implementation of GASB Interpretation No. 6	<u>18,347</u>	<u>2,273</u>	<u>20,620</u>
Restated fund balance, June 30, 2002	<u>\$ 2,790,598</u>	<u>\$ 169,045</u>	<u>\$ 2,959,643</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2002	\$ 2,959,643
GASB 34 adjustments:	
Long-term (deferred) assets	304,715
Capital assets	4,908,018
Accrued interest payable	(5,263)
Long-term liabilities	(1,978,497)
Internal service fund	<u>(320,797)</u>
Governmental activities net assets, June 30, 2002	<u>\$ 5,867,819</u>

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 64,680
Recreation	584
Management Information System	3,024
Disadvantaged Pupil Impact Aid	115,525
Title I	8,952
Drug-Free	38

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

**C. Compliance**

The District had a negative cash fund balance in the Tile VI-B nonmajor governmental fund, contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, this amount has been reported as fund liability.

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

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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
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 instrument rated 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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS (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, 2003, was \$125,273.

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 \$(253,368) and the bank balance was \$156,822. 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. \$156,489 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$333 was uninsured and unregistered 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.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal 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 not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	\$ 436,214	\$ 436,214	\$ 436,214
Investment in STAR Ohio		<u>1,927,114</u>	<u>1,927,114</u>
Total investments		<u>\$ 2,363,328</u>	<u>\$ 2,363,328</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,134,900	\$ 100,333
Investments of the cash management pool:		
Repurchase agreements	(436,214)	436,214
Investment in STAR Ohio	(1,927,114)	1,927,114
Certificates of deposit	100,333	(100,333)
Cash with fiscal agent	<u>(125,273)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (253,368)</u>	<u>\$ 2,363,328</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2003 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 14,987

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS (Continued)**

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:		
General Fund	\$	406,921
Nonmajor Governmental Funds		14,535

- C.** Due from/to other funds consisted of the following at June 30, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 9,832

The purpose of the due from/to other funds is to cover a negative cash balance at June 30. The amount will be repaid within one year.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in the 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% 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.

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

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, 2003, 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, 2003, was \$524,543 in the general fund.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003, 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 2002 taxes were collected was \$270,521,593. Agricultural/residential and public utility/minerals real estate represented 47.54% or \$128,593,450 of this total; commercial & industrial real estate represented 12.03% or \$32,536,620 of this total, public utility tangible represented 36.18% or \$97,882,530 of this total and general tangible property represented 4.25% or \$11,508,993 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$27.60 per \$1,000 of assessed valuation for operations. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 7 – RECEIVABLES(Continued)**

**Governmental Activities:**

Property taxes	\$	7,256,685
Accounts		1,952
Intergovernmental		<u>200,310</u>
<b>Total</b>	<b>\$</b>	<b><u>7,458,947</u></b>

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

**NOTE 8 - CAPITAL ASSETS**

**A.** The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy and to include land and infrastructure values not reported in the prior year. See Note 2.H. for detail:

	Balance <u>6/30/02</u>	<u>Adjustments</u>	Restated Balance <u>6/30/02</u>
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ -	\$ 139,943	\$ 139,943
<b>Total capital assets, not being depreciated</b>	<u>-</u>	<u>139,943</u>	<u>139,943</u>
Capital assets, being depreciated:			
Land improvements	652,045	(33,665)	618,380
Buildings and improvements	7,601,651	(215,591)	7,386,060
Furniture and equipment	3,110,410	(2,388,685)	721,725
Vehicles	2,044,283	(10,000)	2,034,283
Textbooks	916,737	(10,578)	906,159
Infrastructure	<u>-</u>	<u>117,399</u>	<u>117,399</u>
<b>Total capital assets, being depreciated</b>	<u>14,325,126</u>	<u>(2,541,120)</u>	<u>11,784,006</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(7,015,931)</u>	<u>(7,015,931)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 14,325,126</u>	<u>\$ (9,417,108)</u>	<u>\$ 4,908,018</u>

**B.** Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 8 - CAPITAL ASSETS (Continued)**

	Restated Balance <u>06/30/02</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/03</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 139,943	\$ -	\$ -	\$ 139,943
Total capital assets, not being depreciated	<u>139,943</u>	<u>-</u>	<u>-</u>	<u>139,943</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	618,380	12,306	(60,679)	570,007
Buildings and improvements	7,386,060	323,756	(465,765)	7,244,051
Furniture and equipment	721,725	8,198	(8,173)	721,750
Vehicles	2,034,283	193,409	(117,171)	2,110,521
Textbooks	906,159	-	(86,497)	819,662
Infrastructure	117,399	-	(13,165)	104,234
Total capital assets, being depreciated	<u>11,784,006</u>	<u>537,669</u>	<u>(751,450)</u>	<u>11,570,225</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(472,103)	(5,661)	54,611	(423,153)
Buildings and improvements	(4,430,642)	(122,595)	419,189	(4,134,048)
Furniture and equipment	(507,734)	(29,609)	7,356	(529,987)
Vehicles	(1,025,392)	(146,458)	105,454	(1,066,396)
Textbooks	(504,364)	(36,885)	71,527	(469,722)
Infrastructure	(75,696)	(1,876)	11,849	(65,723)
Total accumulated depreciation	<u>(7,015,931)</u>	<u>(343,084)</u>	<u>669,986</u>	<u>(6,689,029)</u>
Governmental activities capital assets, net	<u>\$ 4,908,018</u>	<u>\$ 194,585</u>	<u>\$ (81,464)</u>	<u>\$ 5,021,139</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 116,236
Special	8,622

Support Services:

Pupil	2,221
Instructional staff	10,237
Administration	7,742
Operations and maintenance	14,696
Pupil transportation	147,905
Extracurricular activities	18,630
Food service operations	16,795

Total depreciation expense	<u>\$ 343,084</u>
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**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 9 - 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, 2003.

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2002</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2003</u>
Revenue Anticipation Note Payable	4.95%	9/15/05	\$ 52,961	\$	\$ (9,018)	\$ 43,943

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

<u>Fiscal Year Ending</u>	<u>Principal on Note</u>	<u>Interest on Note</u>	<u>Total</u>
2004	\$ 9,778	\$ 1,689	\$ 11,467
2005	<u>34,165</u>	<u>413</u>	<u>34,578</u>
Total	<u>\$ 43,943</u>	<u>\$ 2,102</u>	<u>\$ 46,045</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

	<u>Interest Rate</u>	<u>Balance Outstanding 06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/03</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>						
General obligation bonds	5.15%	\$ 35,000	\$ -	\$ (35,000)	\$ -	\$ -
Term loan	4.5	405,999	-	(270,667)	135,332	135,332
Note payable		52,961	-	(9,018)	43,943	9,778
Compensated absences		<u>1,395,816</u>	<u>110,067</u>	<u>(3,224)</u>	<u>1,502,659</u>	<u>125,473</u>
Total long-term obligations, governmental activities		<u>\$ 1,889,776</u>	<u>\$ 110,067</u>	<u>\$ (317,909)</u>	<u>\$ 1,681,934</u>	<u>\$ 270,583</u>

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

- 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 matured in fiscal year 2003.

The loans 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:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u> <u>on Loan</u>	<u>Interest</u> <u>on Loan</u>	<u>Total</u>
2004	\$ <u>135,332</u>	\$ <u>3,095</u>	\$ <u>138,427</u>
Total	\$ <u>135,332</u>	\$ <u>3,095</u>	\$ <u>138,427</u>

**C. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$24,346,943 and an unvoted debt margin of \$270,522.

**NOTE 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 2003, the District has contracted with the following insurance companies to provide coverage in the following amounts:

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Harcum-Hyre Insurance Company		
General liability:		
Each occurrence	\$ 2,000,000	\$ 1,000
Aggregate	4,000,000	1,000
Umbrella liability:		
Each occurrence	1,000,000	5,000
Aggregate	1,000,000	5,000
Indiana Insurance Company		
Fleet:		
Liability	2,000,000	0
Uninsured Motorist	1,000,000	0
Medical Pay	5,000	0
Comprehensive	-	250
Collision	-	500
Indiana Insurance Company		
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 are 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 in the District's behalf. The claims liability of \$244,257 reported in the internal service fund at June 30, 2003, 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 claims. Changes in claims activity for the past two fiscal years are as follows:

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2003	\$ 343,256	\$ 2,831,041	\$(2,930,040)	\$ 244,257
2002	433,583	2,832,944	(2,923,271)	343,256

**D. Workers' 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 school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - 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. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$305,532, \$295,102, and \$280,734, respectively; 91.97% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$24,532, represents the unpaid contribution for fiscal year 2003.

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,130,734, \$1,092,221, \$1,067,985, respectively; 84.25% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$178,060, represents the unpaid contribution for fiscal year 2003.

**EDISON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.20 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$80,767 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 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 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 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 \$161,394 during the 2003 fiscal year.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (419,806)
Net adjustment for revenue accruals	(1,948,604)
Net adjustment for expenditure accruals	(124,587)
Net adjustment for other sources/uses	(47,334)
Adjustment for encumbrances	<u>103,838</u>
GAAP basis	<u>\$ (2,436,493)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE 15 – CONTINGENCIES (Continued)**

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

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

**NOTE 16 - 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, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2002	\$ 98,359	\$ 7,616
Current year set-aside requirement	328,077	328,077
Current year offsets	-	-
Qualifying disbursements	<u>(301,261)</u>	<u>(410,566)</u>
Total	<u>\$ 125,175</u>	<u>\$ (74,873)</u>
Cash balance carried forward to FY 2004	<u>\$ 125,175</u>	<u>\$ -</u>
A schedule of the restricted assets at June 30, 2003 follows:		
Amounts restricted for textbooks	\$ 125,175	
Total restricted assets	<u>\$ 125,175</u>	

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EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$62,645		\$62,645
National School Breakfast Program		10.553	\$68,709		\$68,709	
National School Lunch Program		10.555	259,113		259,113	
Special Milk Program		10.556	1,121		1,121	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>328,943</u>	<u>62,645</u>	<u>328,943</u>	<u>62,645</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-02 6B-SF-03	84.027	69,922 230,554 <u>300,476</u>		71,703 240,386 <u>312,089</u>	
Special Education - Preschool Grant	PG-S1-02 PG-S1-02	84.173	15,384 <u>15,384</u>		1,160 14,789 <u>15,949</u>	
Total Special Education Cluster			<u>315,860</u>		<u>328,038</u>	
Adult Education- State Grant Program	AB-S1-02	84.002			3,588	
Title VI R Classroom Reduction Grant	CR-S1-02	84.340	32,564		34,230	
Title II A	TR-S1-03	84.367	119,912		120,156	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01C C1-S1-02 C1-S1-03	84.010	154,265 579,213 <u>733,478</u>		57,389 96,808 <u>595,462</u>	
Innovative Educational Program Strategies	C2-S1-01 C2-S1-02 C2-S1-03	84.298	14,113 <u>14,113</u>		544 2,114 <u>12,884</u> 15,542	
Drug-Free Schools Grant	DR-S1-03	84.186	16,865		16,449	
Eisenhower Professional Development Grant	MS-S1-01 MS-S1-02	84.281	1,535 <u>1,535</u>		11,441 202 <u>11,643</u>	
Fund for Improvement of Education	10088 20330	84.215K	40,000 <u>40,000</u>		10,295 38,157 <u>48,452</u>	
Title IID	TJ-S1-03	84.318	16,779		14,639	
Assistive Technology Infusion Project	1810-0642	84.352	7,605		7,605	
21st Century Grant	T1-S1-03	84.287C	401,682		386,587	
Total Department of Education			<u>1,700,393</u>		<u>1,736,588</u>	
<b>Totals</b>			<u><u>\$2,029,336</u></u>	<u><u>\$62,645</u></u>	<u><u>\$2,065,531</u></u>	<u><u>\$62,645</u></u>

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2003**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Award Expenditures (the schedule) summarizes activity of the District's Federal Award Programs. The schedule has been prepared using the cash basis of accounting.

**2. 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, 2003 the District had no significant food commodities.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT 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, Jefferson County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 17, 2003, which includes a reference to the implementation of a new reporting model, as required by the provisions of Governmental Accounting Standards Board, Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments..* We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 17, 2003.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 17, 2003.

Edison Local School District  
Jefferson County  
Independent Accountants' Report 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 17, 2003



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAMS 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, Jefferson County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The District's major federal programs are 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 programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Edison Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

The accompanying Schedule of Findings replaces the Schedule in the Edison Local School District's fiscal year ended June 30, 2004 report package. The Schedule was revised to include the Special Education Cluster, CFDA# 84.027 and 84.173 as a Major Program, which was previously omitted from the Schedule.

### **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 the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing 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.



**Betty Montgomery**  
Auditor of State

November 17, 2003, except for the third and fourth paragraphs, which are dated November 18, 2004.

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY  
JUNE 30, 2003**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster: CFDA# 10.550, 10.553,10.555 and 10.556, 21 <sup>st</sup> Century Grant: CFDA# 84.287 Special Education Cluster: CFDA # 84.027 and 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

<b>None</b>	
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>None</b>	
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**Auditor of State  
Betty Montgomery**

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800-282-0370

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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  
DECEMBER 14, 2004**