



Mary Taylor, CPA  
Auditor of State



**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Edison Local School District  
Jefferson County  
14890 State Highway 213  
P.O. Box 158  
Hammondsville, Ohio 43930

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 Edison Local School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2007, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

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 Edison Local School District, Jefferson County, Ohio, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by the 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. We subjected the federal awards schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

February 26, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(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, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$1,750,974 which represents an 88.89% increase from 2006.
- General revenues accounted for \$17,188,153 in revenue or 76.69% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$5,225,812 or 23.31% of total revenues of \$22,413,965.
- The District had \$20,662,991 in expenses related to governmental activities; only \$5,225,812 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,188,153 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$18,988,872 in revenues and other financing sources and \$18,402,982 in expenditures and other financing uses. During fiscal 2007, the general fund's fund deficit balance decreased \$585,890 from a deficit of \$1,616,583 to a deficit of \$1,030,693.

**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.

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)

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

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's 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* that 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. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-51 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2007 and 2006.

	<b>Net Assets</b>	
	Governmental Activities 2007	Governmental Activities 2006
<b><u>Assets</u></b>		
Current and other assets	\$ 10,712,183	\$ 9,199,815
Capital assets, net	<u>5,049,677</u>	<u>4,630,334</u>
Total assets	<u>15,761,860</u>	<u>13,830,149</u>
<b><u>Liabilities</u></b>		
Current liabilities	9,880,080	10,277,058
Long-term liabilities	<u>2,161,010</u>	<u>1,583,295</u>
Total liabilities	<u>12,041,090</u>	<u>11,860,353</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	4,478,677	4,630,334
Restricted	649,417	476,858
Unrestricted (deficit)	<u>(1,407,324)</u>	<u>(3,137,396)</u>
Total net assets	<u>\$ 3,720,770</u>	<u>\$ 1,969,796</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$3,720,770.

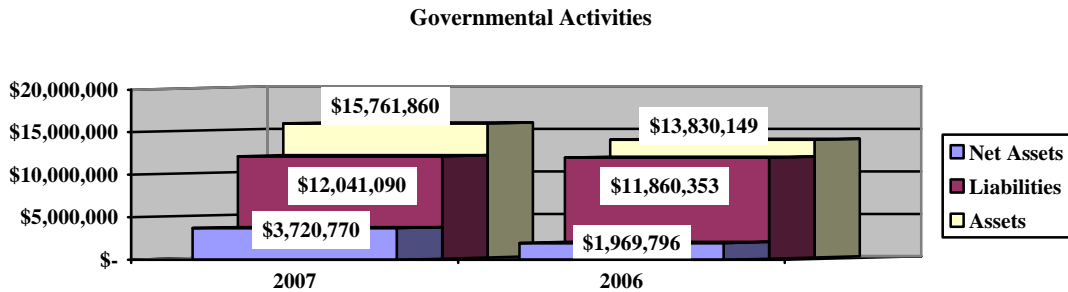
At year-end, capital assets represented 32.03% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$4,478,677. These 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, \$649,417, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,407,324.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2007 and 2006:



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

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,131,238	\$ 1,212,856
Operating grants and contributions	4,058,504	3,219,132
Capital grants and contributions	36,070	-
General revenues:		
Property taxes	8,902,274	7,646,084
Grants and entitlements	8,096,582	8,592,806
Investment earnings	102,950	64,622
Other	<u>86,347</u>	<u>15,658</u>
Total revenues	<u>\$ 22,413,965</u>	<u>\$ 20,751,158</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)

	<b>Change in Net Assets</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2007</u>	<u>2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 7,874,301	\$ 8,618,520
Special	1,983,578	2,083,692
Vocational	166,524	221,811
Adult education	1,500	500
Other	1,439,497	1,318,502
Support services:		
Pupil	1,074,306	852,650
Instructional staff	724,216	732,915
Board of education	162,772	164,286
Administration	1,610,658	1,688,543
Fiscal	398,016	414,283
Business	103,804	87,374
Operations and maintenance	1,513,984	2,076,547
Pupil transportation	2,212,010	1,812,492
Central	139,168	84,804
Food service operations	819,711	854,772
Operations of non-instructional services	3,698	151,859
Extracurricular activities	389,288	427,761
Interest and fiscal charges	45,960	7,250
	<u>20,662,991</u>	<u>21,598,561</u>
Change in net assets	1,750,974	(847,403)
Net assets at beginning of year	<u>1,969,796</u>	<u>2,817,199</u>
Net assets at end of year	<u>\$ 3,720,770</u>	<u>\$ 1,969,796</u>

**Governmental Activities**

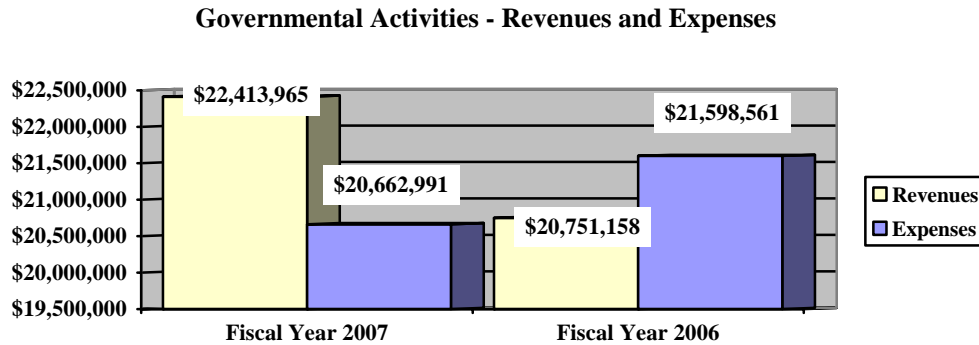
Net assets of the District's governmental activities increased \$1,750,974. Total governmental expenses of \$20,662,991 were offset by program revenues of \$5,225,812, and general revenues of \$17,188,153. Program revenues supported 25.29% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, grants and state foundation. These revenue sources represent 75.84% 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)

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



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,874,301	\$ 6,018,849	\$ 8,618,520	\$ 6,912,423
Special	1,983,578	756,187	2,083,692	1,344,112
Vocational	166,524	80,760	221,811	221,811
Adult education	1,500	881	500	500
Other	1,439,497	1,439,497	1,318,502	1,318,351
Support services:				
Pupil	1,074,306	790,895	852,650	499,766
Instructional staff	724,216	145,205	732,915	289,183
Board of education	162,772	162,772	164,286	164,286
Administration	1,610,658	1,406,275	1,688,543	1,535,453
Fiscal	398,016	398,016	414,283	414,283
Business	103,804	103,804	87,374	87,374
Operations and maintenance	1,513,984	1,513,536	2,076,547	2,074,234
Pupil transportation	2,212,010	2,138,373	1,812,492	1,784,505
Central	139,168	115,888	84,804	76,623
Food service operations	819,711	30,356	854,772	19,633
Operations of non-instructional services	3,698	1,577	151,859	120,909
Extracurricular activities	389,288	288,348	427,761	295,877
Interest and fiscal charges	45,960	45,960	7,250	7,250
<b>Total expenses</b>	<u>\$ 20,662,991</u>	<u>\$ 15,437,179</u>	<u>\$ 21,598,561</u>	<u>\$ 17,166,573</u>

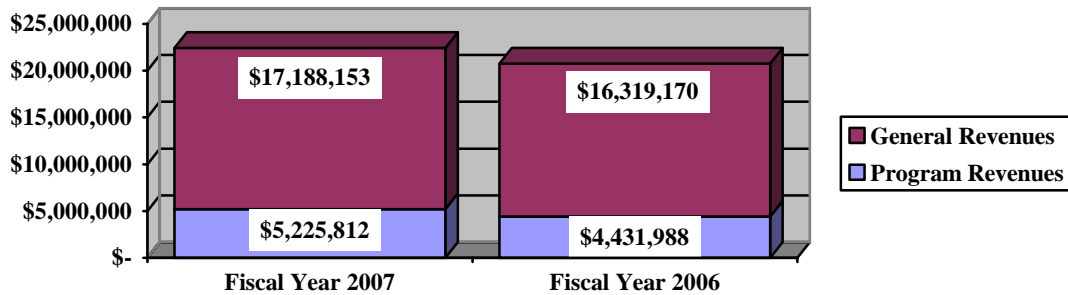
**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)

The dependence upon tax and other general revenues for governmental activities is apparent, 72.36% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.64%. 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 2007 and 2006.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund deficit balance of \$998,296, which is lower than last year's deficit of \$1,743,661. The schedule below indicates the fund deficit balance and the total change in fund deficit balance as of June 30, 2007 and 2006.

	Fund Balance (Deficit) <u>June 30, 2007</u>	Fund Balance (Deficit) <u>June 30, 2006</u>	<u>Increase</u>
General	\$ (1,030,693)	\$ (1,616,583)	\$ 585,890
Other Governmental	<u>32,397</u>	<u>(127,078)</u>	<u>159,475</u>
Total	<u>\$ (998,296)</u>	<u>\$ (1,743,661)</u>	<u>\$ 745,365</u>

**General Fund**

The District's general fund deficit balance decreased \$585,890. The decrease in fund deficit balance can be attributed to the increasing revenues exceeding increasing expenditures in fiscal year 2007. 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, 2007  
(Unaudited)

	2007 <u>Amount</u>	2006 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 8,890,644	\$ 7,661,002	\$ 1,229,642	16.05 %
Tuition	720,423	667,147	53,276	7.99 %
Earnings on investments	64,007	47,053	16,954	36.03 %
Intergovernmental	8,599,823	8,592,806	7,017	0.08 %
Other revenues	<u>77,763</u>	<u>59,736</u>	<u>18,027</u>	30.18 %
Total	<u>\$ 18,352,660</u>	<u>\$ 17,027,744</u>	<u>\$ 1,324,916</u>	7.78 %
<b><u>Expenditures</u></b>				
Instruction	\$ 10,201,274	\$ 10,363,775	(162,501)	(1.57) %
Support services	7,721,536	6,796,920	924,616	13.60 %
Operation of non-instructional services	1,140	78	1,062	1,361.54 %
Extracurricular activities	267,751	284,456	(16,705)	(5.87) %
Capital outlay	65,212	-	65,212	100.00 %
Debt Service	<u>44,132</u>	<u>7,250</u>	<u>36,882</u>	508.72 %
Total	<u>\$ 18,301,045</u>	<u>\$ 17,452,479</u>	<u>\$ 848,566</u>	4.86 %

Property tax revenue increased 16.05% during 2007 due to an increase in advances available and an increase in assessed valuation as a result of the 2.3 mill levy passed in November 2005. Tuition increase 7.99% due to the District's continued participation in open enrollment. The 36.03% increase in earnings on investments was a result of rising interest rates during the year. Other revenues increased 30.18% due to increased parking fee revenues. Support services increased as a result of increased expenditures related to pupil support services and pupil transportation expenditures. Capital outlay and debt service increased due to a capital lease transaction. All other revenues and expenditures remained comparable to prior years.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2007, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$20,502,290, which is higher than the original budgeted revenues of \$16,814,660. Actual revenues and other financing sources for fiscal 2007 was \$20,540,616. This represents a \$38,326 increase from final budgeted revenues.

General funds final appropriations and other financing uses were \$20,962,734, which is higher than the original appropriations of \$18,778,004. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$20,932,642, which was \$30,092 lower than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2007, the District had \$5,049,677 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 2007 balances compared to 2006:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2007	2006
Land	\$ 139,943	\$ 139,943
Land improvements	135,169	127,991
Buildings and improvements	3,401,464	3,118,070
Furniture and equipment	299,154	243,256
Vehicles	839,960	728,514
Textbooks	202,401	239,286
Infrastructure	31,586	33,274
Total	\$ 5,049,677	\$ 4,630,334

Total additions to capital assets for 2007 were \$827,922 and depreciation expense was \$408,579 for fiscal 2007.

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

**Debt Administration**

At June 30, 2007, the District had \$571,000 in bonds payable and \$50,804 in capital lease obligations outstanding. Of this total, \$122,598 is due within one year and \$499,206 is due in greater than one year. The following table summarizes the bonds and leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2007	2006
Bonds payable	\$ 571,000	\$ -
Lease obligations	50,804	-
Total	\$ 621,804	\$ -

At June 30, 2007, the District's overall legal debt margin was \$29,109,294 and an unvoted debt margin of \$329,781.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Unaudited)

**Current Financial Related Activities**

On November 8, 2005 the District renewed a 2.3 mill emergency levy, which will generate \$1,049,150 annually for five (5) years. The next challenge will be restructuring health care benefits for the District and making the cost more affordable to the District. Thirdly, the District has placed a .75% income tax on the November 6, 2007 ballot. The income tax will generate approximately 1.4 million dollars annually. Our vision: Commitment Achieves Total Success.

The income tax placed on the November 6, 2007 ballot did not pass.

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.

HB 66 is eliminating Tangible Personal Property Tax. This represents approximately 2% of our General Fund revenue. The state will have a partial revenue replacement mechanism in place through fiscal year 2010. Local collection will begin decreasing starting in fiscal year 2007 and state foundation will increase and then the phase out of state monies will begin in fiscal year 2011. The state is hoping that by taking this burden from business owners, they will be more inclined to expand and develop new businesses. The plan is to jump start the economy.

**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: Mr. Dennis G. Menoski, Treasurer, Edison Local School District, 14890 St. Rt. 213, P.O. Box 158, Hammondsville, Ohio 43930.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 326,945
Cash with fiscal agent . . . . .	1,375,311
Receivables:	
Taxes . . . . .	8,470,769
Accounts . . . . .	64,614
Accrued interest. . . . .	6,194
Intergovernmental . . . . .	439,070
Loans . . . . .	661
Prepayments . . . . .	14,157
Materials and supplies inventory . . . . .	14,462
Capital assets:	
Land . . . . .	139,943
Depreciable capital assets, net . . . . .	4,909,734
Capital assets, net. . . . .	5,049,677
Total assets. . . . .	15,761,860
<b>Liabilities:</b>	
Accounts payable. . . . .	25,056
Accrued wages and benefits . . . . .	1,891,773
Pension obligation payable. . . . .	426,747
Intergovernmental payable . . . . .	95,891
Accrued interest payable . . . . .	2,127
Claims payable . . . . .	407,297
Unearned revenue . . . . .	7,031,189
Long-term liabilities:	
Due within one year. . . . .	466,384
Due within more than one year . . . . .	1,694,626
Total liabilities. . . . .	12,041,090
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	4,478,677
Restricted for:	
State funded programs . . . . .	30,699
Federally funded programs . . . . .	89,563
Student activities . . . . .	49,036
Public school support . . . . .	40,871
Other purposes . . . . .	439,248
Unrestricted (deficit). . . . .	(1,407,324)
Total net assets. . . . .	\$ 3,720,770

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					<b>Governmental Activities</b>
Instruction:					
Regular . . . . .	\$ 7,874,301	\$ 737,596	\$ 1,117,856	\$ -	\$ (6,018,849)
Special . . . . .	1,983,578	3,600	1,223,791	-	(756,187)
Vocational . . . . .	166,524	-	85,764	-	(80,760)
Adult education . . . . .	1,500	-	619	-	(881)
Other . . . . .	1,439,497	-	-	-	(1,439,497)
Support services:					
Pupil . . . . .	1,074,306	-	283,411	-	(790,895)
Instructional staff . . . . .	724,216	2,469	576,542	-	(145,205)
Board of education . . . . .	162,772	-	-	-	(162,772)
Administration . . . . .	1,610,658	260	204,123	-	(1,406,275)
Fiscal . . . . .	398,016	-	-	-	(398,016)
Business . . . . .	103,804	-	-	-	(103,804)
Operations and maintenance . . . . .	1,513,984	227	221	-	(1,513,536)
Pupil transportation . . . . .	2,212,010	20,509	17,058	36,070	(2,138,373)
Central . . . . .	139,168	-	23,280	-	(115,888)
Operation of non-instructional services:					
Food service operations . . . . .	819,711	268,442	520,913	-	(30,356)
Other non-instructional services . . . . .	3,698	1,563	558	-	(1,577)
Extracurricular activities . . . . .	389,288	96,572	4,368	-	(288,348)
Interest and fiscal charges . . . . .	45,960	-	-	-	(45,960)
<b>Total governmental activities . . . . .</b>	<b>\$ 20,662,991</b>	<b>\$ 1,131,238</b>	<b>\$ 4,058,504</b>	<b>\$ 36,070</b>	<b>(15,437,179)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
					8,902,274
					8,096,582
					102,950
					86,347
					<u>17,188,153</u>
					1,750,974
					<u>1,969,796</u>
					<u>\$ 3,720,770</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ -	\$ 315,960	\$ 315,960
<b>Receivables:</b>			
Taxes . . . . .	8,470,769	-	8,470,769
Accounts . . . . .	54,068	10,546	64,614
Accrued interest . . . . .	6,194	-	6,194
Intergovernmental . . . . .	-	439,070	439,070
Loans . . . . .	661	-	661
Interfund loans . . . . .	124,403	-	124,403
Prepayments . . . . .	14,157	-	14,157
Materials and supplies inventory . . . . .	-	14,462	14,462
<b>Restricted assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	10,985	-	10,985
<b>Total assets . . . . .</b>	<b>\$ 8,681,237</b>	<b>\$ 780,038</b>	<b>\$ 9,461,275</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 20,789	\$ 4,267	\$ 25,056
Accrued wages and benefits . . . . .	1,581,432	310,341	1,891,773
Compensated absences payable . . . . .	223,330	-	223,330
Pension obligation payable . . . . .	334,997	91,750	426,747
Intergovernmental payable . . . . .	31,424	64,467	95,891
Interfund loan payable . . . . .	-	124,403	124,403
Deferred revenue . . . . .	488,769	152,413	641,182
Unearned revenue . . . . .	7,031,189	-	7,031,189
<b>Total liabilities . . . . .</b>	<b>9,711,930</b>	<b>747,641</b>	<b>10,459,571</b>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	184,481	34,685	219,166
Reserved for materials and supplies inventory . . . . .	-	14,462	14,462
Reserved for prepayments . . . . .	14,157	-	14,157
Reserved for property taxes . . . . .	950,811	-	950,811
Reserved for textbooks . . . . .	403,178	-	403,178
Reserved for bus purchases . . . . .	36,070	-	36,070
<b>Unreserved, undesignated (deficit), reported in:</b>			
General fund . . . . .	(2,619,390)	-	(2,619,390)
Special revenue funds . . . . .	-	(16,750)	(16,750)
<b>Total fund balances (deficit) . . . . .</b>	<b>(1,030,693)</b>	<b>32,397</b>	<b>(998,296)</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 8,681,237</b>	<b>\$ 780,038</b>	<b>\$ 9,461,275</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

<b>Total governmental fund balances (deficit)</b>		\$ (998,296)
<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.		5,049,677
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 488,769	
Intergovernmental revenue	<u>152,413</u>	
Total		641,182
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.		968,014
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		(2,127)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	1,315,876	
Capital lease payable	50,804	
Bonds payable	<u>571,000</u>	
		<u>(1,937,680)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 3,720,770</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 8,890,644	\$ -	\$ 8,890,644
Tuition . . . . .	720,423	14,746	735,169
Charges for services . . . . .	-	266,442	266,442
Transportation fees . . . . .	20,509	-	20,509
Earnings on investments . . . . .	64,007	-	64,007
Extracurricular . . . . .	-	150,802	150,802
Classroom materials and fees . . . . .	-	806	806
Other local revenues . . . . .	57,254	55,216	112,470
Intergovernmental - State . . . . .	-	1,465,974	1,465,974
Intergovernmental - Federal . . . . .	8,599,823	1,921,145	10,520,968
Total revenues . . . . .	<u>18,352,660</u>	<u>3,875,131</u>	<u>22,227,791</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	7,249,912	1,039,123	8,289,035
Special . . . . .	1,324,983	727,535	2,052,518
Vocational . . . . .	186,882	-	186,882
Adult/continuing education . . . . .	-	1,500	1,500
Other . . . . .	1,439,497	-	1,439,497
Support services:			
Pupil . . . . .	824,835	276,480	1,101,315
Instructional staff . . . . .	204,563	576,234	780,797
Board of education . . . . .	162,772	-	162,772
Administration . . . . .	1,448,351	208,936	1,657,287
Fiscal . . . . .	404,353	-	404,353
Business . . . . .	110,366	-	110,366
Operations and maintenance . . . . .	2,281,936	232	2,282,168
Pupil transportation . . . . .	2,161,484	17,754	2,179,238
Central . . . . .	122,876	22,583	145,459
Operation of non-instructional services:			
Food service operations . . . . .	-	825,611	825,611
Other non-instructional services . . . . .	1,140	2,558	3,698
Extracurricular activities . . . . .	267,751	101,282	369,033
Capital outlay . . . . .	65,212	-	65,212
Debt service:			
Principal retirement . . . . .	14,408	-	14,408
Interest and fiscal charges . . . . .	29,724	14,109	43,833
Total expenditures . . . . .	<u>18,301,045</u>	<u>3,813,937</u>	<u>22,114,982</u>
Excess of revenues over expenditures . . . . .	<u>51,615</u>	<u>61,194</u>	<u>112,809</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	101,937	101,937
Transfers (out) . . . . .	(101,937)	-	(101,937)
Capital lease transaction . . . . .	65,212	-	65,212
Sale of bonds . . . . .	571,000	-	571,000
Total other financing sources (uses) . . . . .	<u>534,275</u>	<u>101,937</u>	<u>636,212</u>
Net change in fund balances . . . . .	585,890	163,131	749,021
<b>Fund balances (deficit) at</b>			
beginning of year . . . . .	(1,616,583)	(127,078)	(1,743,661)
Decrease in reserve for inventory . . . . .	-	(3,656)	(3,656)
Fund balances (deficit) at end of year . . . . .	<u>\$ (1,030,693)</u>	<u>\$ 32,397</u>	<u>\$ (998,296)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<b>Net change in fund balances - total governmental funds</b>	\$	749,021
<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 exceeded depreciation expense in the current period.		
Capital asset additions	\$ 827,922	
Current year depreciation	(408,579)	
Total		419,343
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(3,656)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	11,630	
Intergovernmental revenue	135,601	
Total		147,231
Proceeds of bonds and capital lease transactions are a revenue in the governmental funds; however, the issuance of debt increases long-term liabilities in the statement of net assets.		
		(636,212)
Repayment of capital lease transactions are an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.		
		14,408
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(2,127)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		267,419
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.		
		795,547
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>1,750,974</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,746,075	\$ 8,494,856	\$ 8,480,738	\$ (14,118)
Tuition. . . . .	530,176	667,614	666,505	(1,109)
Transportation fees. . . . .	16,913	21,297	21,262	(35)
Earnings on investments. . . . .	45,988	57,909	57,813	(96)
Other local revenues. . . . .	45,400	57,169	57,104	(65)
Intergovernmental - State . . . . .	6,840,802	8,614,139	8,599,823	(14,316)
Total revenues. . . . .	<u>14,225,354</u>	<u>17,912,984</u>	<u>17,883,245</u>	<u>(29,739)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,629,881	9,650,724	7,480,091	2,170,633
Special. . . . .	1,216,138	1,359,997	1,355,673	4,324
Vocational. . . . .	207,704	232,274	225,851	6,423
Other. . . . .	1,259,748	1,408,766	1,520,391	(111,625)
Support services:				
Pupil. . . . .	545,908	610,484	622,900	(12,416)
Instructional staff . . . . .	213,945	239,253	227,841	11,412
Board of education . . . . .	140,999	157,678	177,283	(19,605)
Administration. . . . .	1,363,704	1,525,019	1,527,987	(2,968)
Fiscal . . . . .	371,819	415,802	413,038	2,764
Business . . . . .	96,485	107,898	110,103	(2,205)
Operations and maintenance. . . . .	2,120,221	2,371,026	2,367,387	3,639
Pupil transportation . . . . .	1,925,998	2,153,828	2,165,527	(11,699)
Central. . . . .	99,090	110,811	109,504	1,307
Operation of non-instructional services . . . . .	1,162	1,300	1,140	160
Extracurricular activities. . . . .	276,202	308,874	266,009	42,865
Total expenditures . . . . .	<u>18,469,004</u>	<u>20,653,734</u>	<u>18,570,725</u>	<u>2,083,009</u>
Deficiency of revenues under expenditures. . . . .	<u>(4,243,650)</u>	<u>(2,740,750)</u>	<u>(687,480)</u>	<u>2,053,270</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(201,167)	(201,167)	(2,126,765)	(1,925,598)
Advances in . . . . .	-	-	67,865	67,865
Advances (out) . . . . .	-	-	(125,064)	(125,064)
Refund of prior year expenditure . . . . .	18,506	18,506	18,506	-
Refund of prior year receipt . . . . .	(107,833)	(107,833)	(107,833)	-
Other financing uses . . . . .	-	-	(2,255)	(2,255)
Sale of notes . . . . .	2,000,000	2,000,000	2,000,000	-
Sale bonds . . . . .	570,800	570,800	571,000	200
Total other financing sources (uses) . . . . .	<u>2,280,306</u>	<u>2,280,306</u>	<u>295,454</u>	<u>(1,984,852)</u>
Net change in fund balance . . . . .	(1,963,344)	(460,444)	(392,026)	68,418
<b>Fund balance at beginning of year . . . . .</b>	86,154	86,154	86,154	-
<b>Prior year encumbrances appropriated . . . . .</b>	114,175	114,175	114,175	-
<b>Fund balance (deficit) at end of year. . . . .</b>	<u>\$ (1,763,015)</u>	<u>\$ (260,115)</u>	<u>\$ (191,697)</u>	<u>\$ 68,418</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Cash with fiscal agent . . . . .	\$ 1,375,311
Total assets . . . . .	<u>1,375,311</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>407,297</u>
Total liabilities . . . . .	<u>407,297</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>968,014</u>
Total net assets . . . . .	<u><u>\$ 968,014</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 3,892,596
Total operating revenues . . . . .	<u>3,892,596</u>
<b>Operating expenses:</b>	
Claims. . . . .	3,135,992
Total operating expenses . . . . .	<u>3,135,992</u>
Operating income . . . . .	<u>756,604</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>38,943</u>
Total nonoperating revenues. . . . .	<u>38,943</u>
Change in net assets . . . . .	795,547
<b>Net assets at beginning of year . . . . .</b>	<u>172,467</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 968,014</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 3,892,596
Cash payments for claims. . . . .	<u>(3,041,853)</u>
Net cash provided by operating activities . . . . .	<u>850,743</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>38,943</u>
Net cash provided by investing activities . . . . .	<u>38,943</u>
Net increase in cash and cash equivalents . . . . .	889,686
<b>Cash and cash equivalents at beginning of year. . .</b>	<u>485,625</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 1,375,311</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 756,604
Changes in assets and liabilities: Increase in claims payable . . . . .	<u>94,139</u>
Net cash provided by operating activities . . . . .	<u><u>\$ 850,743</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 1,812	\$ 83,724
Investments . . . . .	100,443	-
Receivables:		
Accounts . . . . .	-	1,346
Interest . . . . .	425	-
Total assets . . . . .	102,680	\$ 85,070
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 81
Loans . . . . .	-	661
Due to students . . . . .	-	84,328
Total liabilities . . . . .	-	\$ 85,070
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	102,680	
Total net assets . . . . .	\$ 102,680	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 6,021
Total additions. . . . .	6,021
<b>Deductions:</b>	
Scholarships awarded . . . . .	7,500
Change in net assets . . . . .	(1,479)
<b>Net assets at beginning of year. . . . .</b>	<b>104,159</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 102,680</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

The Edison Local School District (the "District") is organized under Section 3311.01 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 227<sup>th</sup> largest in terms of total enrollment among the 876 public and community schools in the State of Ohio. The District is staffed by 91 non-certified employees and 156 certified full-time teaching personnel who provide services to 2,265 students and other community members.

Upon review of the District's five year forecast filed October 25, 2006, which projected deficits of \$1,893,000 and \$2,851,000, respectively for fiscal years ending June 30, 2007 and 2008, the Auditor of State declared the District to be in a state of fiscal watch on February 8, 2007, in accordance with Ohio Revised Code Section 3316.03 (A) (3).

The District's fiscal watch recovery proposal to address potential deficits was accepted by the Ohio Department of Education and State Superintendent of Public Instruction on June 22, 2007. A five year forecast submitted on May 21, 2007 projected deficit balances through 2011 in excess of 6 million dollars.

The District has taken steps to reduce costs in the district by reducing the number of certified and classified personnel and closing two elementary buildings.

**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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". 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, foods service, preschool and student related activities of the District.

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

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

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

*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, 2007, the District paid approximately \$66,976, to OME-RESA for basic service charges.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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.

*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 (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

**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.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*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:

*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 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  
JEFFERSON COUNTY, OHIO**

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

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

All 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 the internal service fund include the claims 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.

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).

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities 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.

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 2007 is as follows:

1. *Tax Budget* - Ohio Revised Code Section 5705.28 required the District to adopt a tax budget for the following fiscal year on or before January 15. This section requires the adopted budget to be submitted to the County Auditor, as Secretary of the County Budget Commission by January 20 of each year, for the period July 1 through June 30 of the following year. The District obtained a waiver as provided for by Ohio Revised Code Section 5705.281, in which they did not have to adopt a tax budget or submit the budget to the County Auditor.

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

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

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

2. 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. 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 original and final Certificate of Estimated Resources issued for fiscal year 2007.
3. 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.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. 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.
6. 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, 2007. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. 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 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 2007, investments were limited to certificates of deposit and a repurchase agreement. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$64,007, which includes \$43,960 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 District's investment account at year-end is provided in Note 4.

**G. Inventory**

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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 capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$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.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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:

Description	Governmental Activities Estimated Lives
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. Receivables and payables resulting from loans from governmental funds to the agency fund are classified as "loans receivable/payable."

**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, 2007, 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, 2007, 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.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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.

**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, bus purchases 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes include amounts restricted by State statute for bus purchases and textbooks.

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

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**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 amounts 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.

**Q. Restricted Assets**

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

**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 the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic 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 2007, the District did not have any transactions that would be considered extraordinary or special.

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

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

<u>Major Fund</u>	<u>Deficit</u>
General	\$1,030,693
<u>Nonmajor Funds</u>	
Food service	111,493
Recreation	251
EMIS	1,949
Preschool	446
Title VI-R	541

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;



**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**A. Cash on Hand**

At year-end, the District had \$1,600 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. 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, 2007 was \$1,375,311.

**C. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$292,051, exclusive of the \$219,273 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$618,101 of the District's bank balance of \$818,101 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Deposit Insurance Corporation.

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

**D. Investments**

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase Agreement	\$ 219,273	\$ 219,273

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$219,273 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 219,273	100.00

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 292,051
Investments	219,273
Cash with fiscal agent	1,375,311
Cash on hand	<u>1,600</u>
Total	<u>\$ 1,888,235</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,702,256
Private-purpose trust funds	102,255
Agency funds	<u>83,724</u>
Total	<u>\$ 1,888,235</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund balances at June 30, 2007 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	\$ 124,403

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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, 2007 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers from the General fund to:	
Nonmajor governmental funds	\$ 101,937

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget required to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the statement of activities.

- C.** Loans between governmental funds and the agency fund are reported as "loans receivable/payable" on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan From</u>	<u>Loan To</u>	<u>Amount</u>
General	Agency	\$ 661

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market 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  
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**NOTE 6 - PROPERTY TAXES – (Continued)**

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

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of January 1, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2007, are available to finance fiscal year 2007 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, 2007. 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 portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2007 was \$950,811 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$433,072 in the general fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Utilities/Mineral Real Estate	\$ 150,864,940	48.70	\$ 179,979,570	54.00
Commercial/Industrial	37,972,910	12.26	39,940,500	11.98
Commercial/Industrial Public Utility Personal	106,694,550	34.44	112,057,640	33.62
General Tangible Property	<u>14,264,474</u>	<u>4.60</u>	<u>1,303,855</u>	<u>0.40</u>
Total	<u>\$ 309,796,874</u>	<u>100.00</u>	<u>\$ 333,281,565</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 27.60		\$ 29.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Taxes	\$ 8,470,769
Accounts	64,614
Accrued interest	6,194
Intergovernmental	<u>439,070</u>
Total	<u>\$ 8,980,647</u>

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

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance			Balance
	<u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/07</u>
<b>Governmental Activities:</b>				
<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	570,007	15,310	-	585,317
Buildings and improvements	7,661,270	455,994	-	8,117,264
Furniture and equipment	854,351	82,066	(4,875)	931,542
Vehicles	2,209,035	274,552	-	2,483,587
Textbooks	819,662	-	-	819,662
Infrastructure	104,234	-	-	104,234
Total capital assets, being depreciated	<u>12,218,559</u>	<u>827,922</u>	<u>(4,875)</u>	<u>13,041,606</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(442,016)	(8,132)	-	(450,148)
Buildings and improvements	(4,543,200)	(172,600)	-	(4,715,800)
Furniture and equipment	(611,095)	(26,168)	4,875	(632,388)
Vehicles	(1,480,521)	(163,106)	-	(1,643,627)
Textbooks	(580,376)	(36,885)	-	(617,261)
Infrastructure	(70,960)	(1,688)	-	(72,648)
Total accumulated depreciation	<u>(7,728,168)</u>	<u>(408,579)</u>	<u>4,875</u>	<u>(8,131,872)</u>
Governmental activities capital assets, net	<u>\$ 4,630,334</u>	<u>\$ 419,343</u>	<u>\$ -</u>	<u>\$ 5,049,677</u>

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 129,671
Special	12,746
Vocational	1,338
 <u>Support Services:</u>	
Pupil	5,148
Instructional staff	16,978
Administration	8,628
Operations and maintenance	36,817
Pupil transportation	161,617
Extracurricular activities	20,255
Food service operations	<u>15,381</u>
Total depreciation expense	<u>\$ 408,579</u>

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Copier equipment in the amount of \$65,212 has not been capitalized since the assets individually do not meet the District's capitalization threshold. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$14,408 paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007.

Fiscal Year Ending June 30	Amount
2008	\$ 19,104
2009	19,104
2010	<u>19,104</u>
Total minimum lease payments	57,312
Less amount representing interest	<u>(6,508)</u>
Total	<u>\$ 50,804</u>



**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2007, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding			Balance Outstanding		Amounts Due in
	<u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/07</u>	<u>One Year</u>	
<b>Governmental Activities:</b>						
Bonds payable	\$ -	\$ 571,000	\$ -	\$ 571,000	\$ 103,494	
Capital lease payable	-	65,212	(14,408)	50,804	15,604	
Compensated absences	<u>1,583,295</u>	<u>213,304</u>	<u>(257,393)</u>	<u>1,539,206</u>	<u>347,286</u>	
Total long-term obligations, governmental activities	<u>\$ 1,583,295</u>	<u>\$ 849,516</u>	<u>\$ (271,801)</u>	<u>\$ 2,161,010</u>	<u>\$ 466,384</u>	

**Compensated Absences:** Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District is primarily the general fund and the following nonmajor governmental funds: Food Service, EMIS, Public School Preschool, DPIA, Title VI-B, Title I and Title VI-R.

**General Obligation Bonds Payable:** On November 7, 2006, the District issued \$571,000 in general obligation bonds. The proceeds of these bonds were used to provide financing for school bus purchases and roof repairs. These bonds bear an annual interest rate of 4.47% and mature in fiscal year 2012. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net assets. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 103,494	\$ 23,211	\$ 126,705
2009	109,325	18,454	127,779
2010	114,212	13,458	127,670
2011	119,318	8,239	127,557
2012	<u>124,651</u>	<u>2,786</u>	<u>127,437</u>
Total	<u>\$ 571,000</u>	<u>\$ 66,148</u>	<u>\$ 637,148</u>

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$29,109,294 and an unvoted debt margin of \$329,781.

**NOTE 11 - NOTES PAYABLE**

The District's notes payable activity for the fiscal year ended June 30, 2007 was as follows:

	<u>Rate</u>	<u>Balance at 06/30/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/2007</u>
Governmental Activities	5.45%	\$ -	\$ 2,000,000	\$ (2,000,000)	\$ -

On January 4, 2007, the District received \$2,000,000 in proceeds from a tax anticipation note. The note bore an interest rate of 5.450%. The proceeds were used to supplement anticipated real estate settlements. The note was repaid on March 26, 2007. Principal and interest payments were \$2,000,000 and \$24,828, respectively. The note activity was recorded in the general fund.

**NOTE 12 - 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 2007, the District has contracted with the following insurance companies to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Netherlands Insurance Company		
General liability:		
Each occurrence	\$ 1,000,000	\$ 1,000
Aggregate	2,000,000	1,000
Umbrella liability:		
Each occurrence	5,000,000	5,000
Aggregate	5,000,000	5,000

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

Fleet:		
Liability	1,000,000	0
Uninsured Motorist	1,000,000	0
Medical Pay	5,000	0
Comprehensive	-	250
Collision	-	500
 Building and contents	 56,213,000	 5,000
Employee benefits:		
Each occurrence	1,000,000	1,000
Aggregate	3,000,000	1,000
Error and Omissions:		
Each occurrence	1,000,000	2,500
Aggregate	1,000,000	2,500

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

**B. Fidelity Bond**

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

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

Medical, vision, dental and prescription insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several Districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$407,297 reported in the internal service fund at June 30, 2007, 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:

	Beginning	Claims	Claims	Ending
<u>Fiscal Year</u>	<u>Balance</u>	<u>Incurred</u>	<u>Payments</u>	<u>Balance</u>
2007	\$ 313,158	\$ 3,135,992	\$ (3,041,853)	\$ 407,297
2006	460,707	2,908,822	(3,056,371)	313,158

**D. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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 13 - DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$257,412, \$247,401, and \$244,812; 46.36 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$138,074 represents the unpaid contribution for the fiscal year 2007 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLAN**

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,048,713, \$1,082,799 and \$1,081,978; 84.69 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$160,509 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$3,126 made by the District and \$10,948 made by the plan members.

**C. Social Security System**

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

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$80,670 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$126,692 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

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

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

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (392,026)
Net adjustment for revenue accruals	469,415
Net adjustment for expenditure accruals	66,998
Net adjustment for other sources/uses	238,821
Adjustment for encumbrances	<u>202,682</u>
GAAP basis	<u>\$ 585,890</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

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

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

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

**B. Litigation**

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

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. The current year set aside normally required for textbooks materials was not necessary as the District obtained proper legal approval from the Superintendent and by a unanimous vote of the Board of Education to appropriate the funds for other purposes. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purpose in future years. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ 403,178	\$ 1,713
Current year set-aside requirement	-	355,257
Qualifying disbursements	<u>-</u>	<u>(429,190)</u>
Total	<u>\$ 403,178</u>	<u>\$ (72,220)</u>
Balance carried forward to FY 2008	<u>\$ 403,178</u>	<u>\$ -</u>

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2007 follows:

Amounts restricted for textbooks	\$ 403,178
Amounts restricted for bus purchases	36,070
Amount to limit restricted assets to available cash	<u>(428,263)</u>
Total restricted assets	<u>\$ 10,985</u>



**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$116,643		\$116,643
Nutrition Cluster:						
National School Breakfast Program		10.553	\$125,209		\$125,209	
National School Lunch Program		10.555	331,198		331,198	
Special Milk Program		10.556	1,170		1,170	
Total Nutrition Cluster			457,577		457,577	
Total U.S. Department of Agriculture - Nutrition Cluster			457,577	116,643	457,577	116,643
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-07 6B-SF-06	84.027	551,465 85,805		489,137 78,961	
Total Special Education Grants to States			637,270		568,098	
Special Education - Preschool Grants	PG-S1-07 PG-S1-06	84.173	24,215 3,045		16,732 3,045	
Total Special Education - Preschool Grants			27,260		19,777	
Total Special Education Cluster			664,530		587,875	
Title II A - Improving Teacher Quality	TRS1-2007	84.367	129,970		121,150	
Title II A - Improving Teacher Quality	TRS1-2006		35,238		36,928	
Total Title II A - Improving Teacher Quality			165,208		158,078	
Title IID Education Technology State Grants	TJ-SI-2006	84.318	2,199		2,200	
Title IID Education Technology State Grants	TJS1-2007		6,417		6,417	
Total Title IID Education Technology State Grants			8,616		8,617	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-07 C1-S1-06	84.010	442,701 74,011		414,364 81,336	
Total Title I - Grants to Local Educational Agencies			516,712		495,700	
State Grants for Innovative Program	C2-S1-07	84.298	3,576		3,576	
Safe and Drug-Free Schools Grants to States	DR-S1-07 DR-S1-06	84.186	11,818 4,022		11,818 5,068	
Total Safe and Drug-Free Schools Grants			15,840		16,886	
21st Century Grant Community Learning Centers	T1-S1-07	84.287	147,650		152,112	
Learn & Serve America	SV-SI-07	94.004	3,000		3,000	
Total Department of Education			1,525,132		1,425,844	
<b>Totals - Federal Awards</b>			<b>\$1,982,709</b>	<b>\$116,643</b>	<b>\$1,883,421</b>	<b>\$116,643</b>

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Edison Local School District  
Jefferson County  
14890 State Highway 213  
P.O. Box 158  
Hammondsville, Ohio 43930

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Jefferson County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above are not material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated February 26, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 26, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, Board of Education and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 26, 2008



# Mary Taylor, CPA

Auditor of State

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

Edison Local School District  
Jefferson County  
14890 State Highway 213  
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 apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Edison Local School District, Jefferson County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007. In a separate letter to the District's management dated February 26, 2008, we reported other matters related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 26, 2008.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 26, 2008

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	84.010 Title I 84.287 21 <sup>st</sup> Century Grant 10.550's Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2007-001**

**Non – Compliance Citation**

**Ohio Revised Code Section 5705.10** provides that money paid into any fund shall be used for the purpose for which it was established. At June 30, 2007, the General Fund had a deficit balance of \$191,697.

This deficit balance indicates that money from another fund(s) has been used to pay the obligations of the General Fund.

The District Treasurer should monitor fund balances more closely and take actions necessary to ensure that the District avoids deficit spending.

**Officials' Response**

The district is currently under fiscal watch and anticipates being removed from this designation in the near future. Use of money from other funds was used for cash flow purposes only. The district will monitor funds in the future to ensure that money from other funds is not used to pay the obligations of the general fund.

**FINDING NUMBER 2007-002**

**Non-Compliance Citation/Significant Deficiency**

Ohio Administrative Code 117-2-02(C)(1) states, all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The District did not accurately post the amounts of appropriations as approved by the Board or the amounts of estimated resources as certified by the budget commission to the ledgers. The District passed appropriations totaling \$20,962,735; however, the system reported total appropriations of \$21,314,235, a variance of \$351,500. The Budget commission certified estimated resources totaling \$20,502,290; the District's ledgers reflected only \$19,567,205, reflecting a variance of \$935,085.

As the appropriation resolution and subsequent amendments establish the legal spending authority of the District and appropriation ledger provides the process by which the District controls spending, it is necessary that amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger. As the original certificate and amendments establish the amounts available for expenditures in the District and the receipt ledger provides the process by which the District controls what is available, it is necessary the amounts estimated by the County budget Commission are posted accurately to the receipts ledger.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. To effectively control the budgetary cycle and to maintain accountability over District expenditures and revenues, the District Treasurer should post to the ledgers, on a timely basis, appropriation amounts as passed by the Board of Education and estimated resources as certified by the budget commission. The Board should also monitor budget versus actual reports to ensure supplemental and amended appropriations and amended certificates of resources have been properly posted.

**Officials' Response**

The district will monitor budget versus actual reports to ensure that supplemental and amended appropriations and the amended certificate of resource have been properly recorded



**FINDING NUMBER 2007-003**

**Significant Deficiency**

Ohio Administrative Code 117-2-02 (B)(1) requires the government to maintain accounting records sufficient to reasonably assure accountability for all the transactions. Monthly bank reconciliations included fund balances and reconciling items that were incorrect and unsupported and the District maintained separate athletic bank accounts that were not included on the District's ledgers or reconciliations. The reconciliation process did not reflect accurate fund balances for January 2007 through June 2007

In order to present an accurate cash reconciliation, an adjustment was posted to the District's cash balances in the amount of \$2,255 and is reflected in the accompanying financial statements.

The District Treasurer and the Board should carefully review the weaknesses in the cash reconciliation process and develop internal controls, which will support the integrity of the District's financial records and reports. A review process should be implemented whereby the District Treasurer and/or the Board would review ledgers, monthly financial statements and the monthly reconciliations, as well as the support for the monthly cash reconciliations and document the reviews.

Improving the cash reconciliation procedures will strengthen control over the District's reporting system, reduce the risk of errors going undetected and support the integrity of the District's financial records.

**Officials' Response**

The district will review the cash reconciliation process and immediately close all separate athletic bank accounts. All athletic activity will be recorded through the proper board approved funds.

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2007**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2006-001	ORC 149.351 (A), destruction of all food services records for FY 06.	Yes	
2006-002	Questioned costs regarding claims for reimbursement of meals and for eligibility of free and reduced lunches totaling \$397,925	Yes	



**Mary Taylor, CPA**  
Auditor of State

**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  
MARCH 18, 2008**