



**Auditor of State
Betty Montgomery**

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Edison Local School District
Jefferson County
P.O. Box 158
Hammondsville, Ohio 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 the Edison Local School District, Jefferson County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Edison Local School District, Jefferson County, Ohio, as of June 30, 2004, and the respective changes in financial position and the respective cash flows, where applicable and the applicable budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

February 17, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities decreased \$456,720 which represents a 11.26% decrease from 2003.
- General revenues accounted for \$15,444,392 in revenue or 79.65% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$3,945,445 or 20.35% of total revenues of \$19,389,837.
- The District had \$19,846,557 in expenses related to governmental activities; only \$3,945,445 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 \$15,444,392 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$15,570,808 in revenues and other financing sources and \$16,278,342 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance decreased \$707,534 from \$354,105 to (\$353,429).

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 2004?" 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 takes into accounts 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, 2004
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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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. 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 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, 2004
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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 25-49 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 2004 and 2003.

	Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<u>Assets</u>		
Current and other assets	\$ 10,203,474	\$ 9,528,305
Capital assets	<u>4,669,906</u>	<u>5,021,139</u>
Total assets	<u>14,873,380</u>	<u>14,549,444</u>
<u>Liabilities</u>		
Current liabilities	9,716,318	8,812,523
Long-term liabilities	<u>1,558,795</u>	<u>1,681,934</u>
Total liabilities	<u>11,275,113</u>	<u>10,494,457</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,635,443	4,885,807
Restricted	-	33,795
Unrestricted	<u>(1,037,176)</u>	<u>(864,615)</u>
Total net assets	<u>\$ 3,598,267</u>	<u>\$ 4,054,987</u>

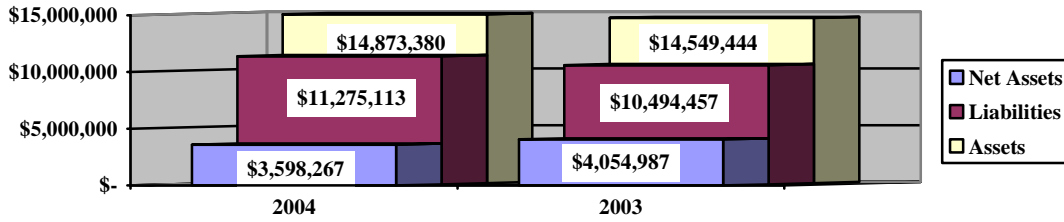
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$3,598,267.

At year-end, capital assets represented 31.40% 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, 2004, were \$4,635,443. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Governmental Activities



The table below shows the change in net assets for fiscal year 2004 and 2003.

Change in Net Assets

	Governmental Activities 2004	Governmental Activities 2003
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 720,260	\$ 551,428
Operating grants and contributions	3,225,185	3,204,369
Capital grants and contributions	-	41,411
General revenues:		
Property taxes	6,802,121	4,851,586
Grants and entitlements	8,591,423	8,318,504
Investment earnings	23,538	42,212
Other	27,310	17,287
Special item	-	17,390
Total revenues	\$ 19,389,837	\$ 17,044,187

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Change in Net Assets

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 8,775,867	\$ 8,468,109
Special	2,128,774	2,104,504
Vocational	221,864	245,065
Other	31,661	59,016
Support services:		
Pupil	757,711	648,203
Instructional staff	897,086	889,166
Board of education	146,771	135,275
Administration	1,568,747	1,442,872
Fiscal	386,958	374,144
Business	22,474	21,578
Operations and maintenance	1,689,233	1,482,152
Pupil transportation	1,872,021	1,633,907
Central	46,264	132,055
Food service operations	799,016	725,235
Operations of non-instructional services	7,366	5,730
Extracurricular activities	492,786	472,316
Interest and fiscal charges	<u>1,958</u>	<u>17,692</u>
Total expenses	<u>19,846,557</u>	<u>18,857,019</u>
Decrease in net assets	<u>\$ (456,720)</u>	<u>\$ (1,812,832)</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$456,720. Total governmental expenses of \$19,846,557 were offset by program revenues of \$3,945,445, and general revenues of \$15,444,392. Program revenues supported 19.88% of the total governmental expenses.

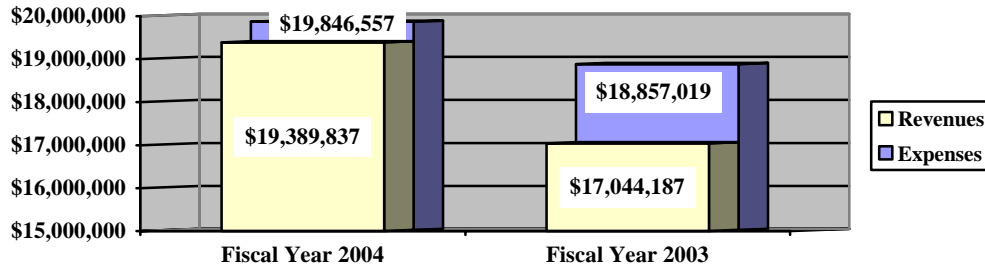
The primary sources of revenue for governmental activities are derived from property taxes, grants and state foundation. These revenue sources represent 79.39% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Jefferson County 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, 2004
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004 and 2003.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses				
Instruction:				
Regular	\$ 8,775,867	\$ 7,768,775	\$ 8,468,109	\$ 7,343,794
Special	2,128,774	1,428,689	2,104,504	1,390,231
Vocational	221,864	220,609	245,065	233,509
Other	31,661	31,661	59,016	59,016
Support services:				
Pupil	757,711	494,646	648,203	432,399
Instructional staff	897,086	387,977	889,166	392,619
Board of education	146,771	146,771	135,275	135,275
Administration	1,568,747	1,317,747	1,442,872	1,201,465
Fiscal	386,958	386,958	374,144	374,144
Business	22,474	22,474	21,578	21,578
Operations and maintenance	1,689,233	1,667,829	1,482,152	1,481,029
Pupil transportation	1,872,021	1,666,779	1,633,907	1,576,728
Central	46,264	45,369	132,055	51,058
Food service operations	799,016	43,316	725,235	54,561
Operations of non-instructional services	7,366	4,794	5,730	1,624
Extracurricular activities	492,786	264,760	472,316	293,089
Interest and fiscal charges	1,958	1,958	17,692	17,692
Total expenses	<u>\$ 19,846,557</u>	<u>\$ 15,901,112</u>	<u>\$ 18,857,019</u>	<u>\$ 15,059,811</u>

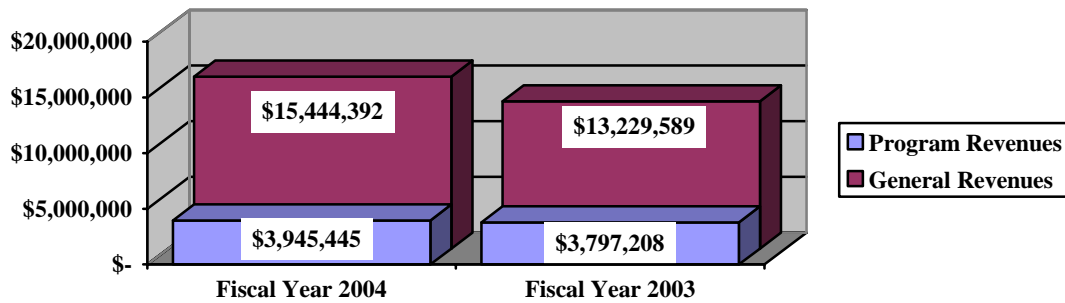
**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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The dependence upon tax and other general revenues for governmental activities is apparent, 84.69% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.39%. 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 2004 and 2003.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of (\$454,042), which is lower than last year's total of \$314,234. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	<u>Decrease</u>
General	\$ (353,429)	\$ 354,105	\$ (707,534)
Other Governmental	<u>(100,613)</u>	<u>(39,871)</u>	<u>(60,742)</u>
Total	<u>\$ (454,042)</u>	<u>\$ 314,234</u>	<u>\$ (768,276)</u>

General Fund

The District's general fund balance decreased \$707,534. The decrease in fund balance can be attributed to the increase in expenditures still exceeding increasing revenues in fiscal year 2004. 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, 2004
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	<u>2004</u> Amount	<u>2003</u> Amount	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,828,204	\$ 4,684,616	45.76 %
Earnings on investments	19,870	39,185	(49.29) %
Intergovernmental	8,591,423	8,318,504	3.28 %
Other revenues	<u>120,017</u>	<u>41,795</u>	187.16 %
 Total	 <u>\$ 15,559,514</u>	 <u>\$ 13,084,100</u>	 18.92 %
<u>Expenditures</u>			
Instruction	\$ 9,542,067	\$ 8,841,694	7.92 %
Support services	6,184,622	6,052,562	2.18 %
Operation of non-instructional services	30	45	(33.33) %
Extracurricular activities	<u>311,432</u>	<u>293,851</u>	5.98 %
 Total	 <u>\$ 16,038,151</u>	 <u>\$ 15,188,152</u>	 5.60 %

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 2004, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$16,061,754, which is higher than the original budgeted revenues and other financing sources estimate of \$15,655,481. Actual revenues and other financing sources for fiscal 2004 was \$16,265,933. This represents a \$204,179 increase over final budgeted revenues.

General fund original and final appropriations (appropriated expenditures plus other financing uses) were \$17,802,142 and \$17,224,241, respectively. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$16,898,706, which was \$325,535 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$4,669,906 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 2004 balances compared to 2003:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 139,943	\$ 139,943
Land improvements	141,193	146,854
Buildings and improvements	2,977,783	3,110,003
Furniture and equipment	191,502	191,763
Vehicles	869,780	1,044,125
Textbooks	313,055	349,940
Infrastructure	36,650	38,511
Total	\$ 4,669,906	\$ 5,021,139

Total additions to capital assets for 2004 were \$29,013 and total disposals were \$8,224 (net of accumulated depreciation). The overall decrease in capital assets of \$351,233 is primarily due to the recording of \$372,022 in depreciation expense for fiscal 2004.

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

Debt Administration

At June 30, 2004, the District had \$34,463 in a revenue note outstanding. This total is due within one year. The following table summarizes the note outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2004	Governmental Activities 2003
Term loan payable	\$ -	\$ 135,332
Revenue anticipation note	34,463	43,943
Total	\$ 34,463	\$ 179,275

On June 7, 1999, the District received \$1,218,000, in proceeds from a term loan. The loan bears an interest rate of 4.5%. The proceeds were used to repay an energy conservation loan and a tax anticipation note and to finance a new addition to the high school. The District paid this loan off in 2004.

On September 15, 1999, the District received note proceeds of \$90,000 to purchase new bleachers. This note, which is considered a revenue anticipation note, bears an interest rate of 4.95% and matures September 15, 2005. Principal and interest payments will be made out of the District Managed Student Activities fund.

At June 30, 2004, the District's overall legal debt margin was \$26,267,253 with an unvoted debt margin of \$291,858.

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, 2004
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Current Financial Related Activities

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

The first challenge will be the renewal of the District's 2.3 mill emergency levy, which generates \$1,049,150, in November of 2004. The next challenge will be restructuring health care benefits for the district and making the cost more affordable to the district. Thirdly, the District is hoping for a successful operating levy and bond issue in the very near future. The District currently has a sufficient cash balance to meet operating expenses of the district through fiscal year 2005.

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

The District has not anticipated a significant growth in State revenue. The State is projecting a 2.2% increase in foundation money for fiscal years 2006 and 2007. The concern is that, to meet the requirements of the court, the State may require redistribution of commercial and industrial property tax. With approximately thirty-five percent of taxes paid for the District coming from business or industry, this could have a significant impact on the District's residential taxpayers.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 1,663,380
Cash with fiscal agent	765,786
Receivables:	
Taxes	7,466,909
Accounts	2,461
Intergovernmental	257,269
Prepayments	25,370
Materials and supplies inventory	22,299
Capital assets:	
Land	139,943
Depreciable capital assets, net	4,529,963
Capital assets, net.	4,669,906
 Total assets.	 14,873,380
Liabilities:	
Accounts payable.	203,280
Accrued wages and benefits	1,957,586
Pension obligation payable.	444,888
Intergovernmental payable	84,516
Deferred revenue	6,719,729
Accrued interest payable	116
Claims payable	306,203
Long-term liabilities:	
Due within one year.	163,145
Due within more than one year	1,395,650
Total liabilities	11,275,113
Net Assets:	
Invested in capital assets, net of related debt.	4,635,443
Unrestricted (deficit)	(1,037,176)
Total net assets	\$ 3,598,267

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 990,482	\$ 297,016	\$ 1,287,498
Receivables:			
Taxes	7,466,909	-	7,466,909
Accounts	1,049	1,412	2,461
Intergovernmental	-	257,269	257,269
Interfund loans	128,401	-	128,401
Due from other funds	32,085	-	32,085
Prepayments	25,370	-	25,370
Materials and supplies inventory	-	22,299	22,299
Restricted assets:			
Equity in pooled cash and cash equivalents	375,882	-	375,882
Total assets	\$ 9,020,178	\$ 577,996	\$ 9,598,174
Liabilities:			
Accounts payable	\$ 190,511	\$ 12,769	\$ 203,280
Accrued wages and benefits	1,645,975	311,611	1,957,586
Compensated absences payable	46,176	-	46,176
Pension obligation payable	254,172	34,408	288,580
Intergovernmental payable	71,442	13,074	84,516
Interfund loan payable	-	128,401	128,401
Due to other funds	-	32,085	32,085
Deferred revenue	7,165,331	111,798	7,277,129
Note payable	-	34,463	34,463
Total liabilities	9,373,607	678,609	10,052,216
Fund Balances:			
Reserved for encumbrances	186,761	68,605	255,366
Reserved for materials and supplies inventory	-	22,299	22,299
Reserved for prepayments	25,370	-	25,370
Reserved for tax revenue available for appropriation	301,578	-	301,578
Reserved for textbooks	129,461	-	129,461
Reserved for capital acquisition	246,421	-	246,421
Unreserved, undesignated, reported in:			
General fund	(1,243,020)	-	(1,243,020)
Special revenue funds	-	(191,517)	(191,517)
Total fund balances	(353,429)	(100,613)	(454,042)
Total liabilities and fund balances	\$ 9,020,178	\$ 577,996	\$ 9,598,174

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, 2004

Total governmental fund balances		\$	(454,042)
<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.			4,669,906
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	445,602	
Intergovernmental revenue		111,798	
Total			557,400
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.			459,583
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		1,478,156	
Pension obligation payable		156,308	
Accrued interest payable		116	
Total			(1,634,580)
Net assets of governmental activities		\$	3,598,267

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, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 6,828,204	\$ -	\$ 6,828,204
Tuition.	-	16,623	16,623
Charges for services.	-	275,669	275,669
Transportation fees	105,355	-	105,355
Earnings on investments.	19,870	-	19,870
Extracurricular.	-	193,400	193,400
Other local revenues.	14,662	121,806	136,468
Intergovernmental - state	8,591,423	1,166,599	9,758,022
Intergovernmental - federal.	-	2,033,258	2,033,258
Total revenue	<u>15,559,514</u>	<u>3,807,355</u>	<u>19,366,869</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,879,771	1,059,031	8,938,802
Special.	1,399,591	751,336	2,150,927
Vocational.	234,044	-	234,044
Adult/continuing education	-	3,000	3,000
Other	28,661	-	28,661
Support services:			
Pupil.	562,902	249,287	812,189
Instructional staff	362,038	565,110	927,148
Board of education	148,706	-	148,706
Administration.	1,323,630	242,492	1,566,122
Fiscal	384,889	-	384,889
Business	21,607	205	21,812
Operations and maintenance.	1,698,288	1,442	1,699,730
Pupil transportation	1,637,453	100,305	1,737,758
Central.	45,109	1,185	46,294
Operation of non-instructional services:			
Food service operations	-	816,709	816,709
Other non-instructional services	30	6,431	6,461
Extracurricular activities.	311,432	163,421	474,853
Facilities acquisition and construction	-	21,228	21,228
Debt service:			
Principal retirement	-	135,332	135,332
Interest and fiscal charges	-	5,117	5,117
Total expenditures	<u>16,038,151</u>	<u>4,121,631</u>	<u>20,159,782</u>
Excess of revenues under expenditures	<u>(478,637)</u>	<u>(314,276)</u>	<u>(792,913)</u>
Other financing sources (uses):			
Transfers in	635	263,135	263,770
Transfers (out)	(240,191)	(23,579)	(263,770)
Proceeds from sale of capital assets.	10,659	-	10,659
Total other financing sources (uses)	<u>(228,897)</u>	<u>239,556</u>	<u>10,659</u>
Net change in fund balances	(707,534)	(74,720)	(782,254)
Fund balances at beginning of year	354,105	(39,871)	314,234
Increase in reserve for inventory.	-	13,978	13,978
Fund balances at end of year.	<u>\$ (353,429)</u>	<u>\$ (100,613)</u>	<u>\$ (454,042)</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, 2004

Net change in fund balances - total governmental funds	\$	(782,254)
<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 depreciation expense exceeds capital outlays in the current period.		(343,009)
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(8,224)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		13,978
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		8,641
Repayment of bonds, loans and capital lease are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		135,332
In the statement of activities, interest is accrued on outstanding notes and loans, whereas in governmental funds, an interest expenditure is reported when due.		3,159
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(62,910)
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.		578,567
Change in net assets of governmental activities	\$	(456,720)

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, 2004

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
From local sources:				
Taxes	\$ 6,794,267	\$ 6,979,159	\$ 7,051,169	\$ 72,010
Earnings on investments.	19,470	20,000	19,870	(130)
Transportation fees.	100,464	103,198	104,330	1,132
Other local revenues.	12,183	12,515	15,127	2,612
Intergovernmental - State	8,002,971	8,220,756	8,591,423	370,667
Total revenue	<u>14,929,355</u>	<u>15,335,628</u>	<u>15,781,919</u>	<u>446,291</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,424,723	7,923,959	7,894,064	29,895
Special.	1,399,000	1,403,900	1,392,727	11,173
Vocational.	256,928	237,907	232,279	5,628
Other.	80,000	62,860	28,193	34,667
Support services:				
Pupil.	525,401	522,360	515,013	7,347
Instructional staff	376,760	368,862	364,231	4,631
Board of education	177,260	156,884	152,903	3,981
Administration.	1,316,937	1,335,877	1,311,652	24,225
Fiscal	392,810	387,967	385,033	2,934
Business	21,915	21,915	21,590	325
Operations and maintenance.	1,923,479	1,848,949	1,814,946	34,003
Pupil transportation	1,679,175	1,656,373	1,624,973	31,400
Central.	50,720	49,237	45,617	3,620
Operation of non-instructional services	250	250	30	220
Extracurricular activities.	298,650	310,312	308,025	2,287
Total expenditures	<u>16,924,008</u>	<u>16,287,612</u>	<u>16,091,276</u>	<u>196,336</u>
Excess of revenues over (under) expenditures.	<u>(1,994,653)</u>	<u>(951,984)</u>	<u>(309,357)</u>	<u>642,627</u>
Other financing sources (uses):				
Transfers in	620,235	620,235	438,464	(181,771)
Transfers (out)	(819,134)	(877,629)	(678,019)	199,610
Advances in	75,997	75,997	15,997	(60,000)
Advances (out)	(59,000)	(59,000)	(129,411)	(70,411)
Refund of prior year expenditure	18,894	18,894	18,894	-
Proceeds from sale of capital assets.	11,000	11,000	10,659	(341)
Total other financing sources (uses)	<u>(152,008)</u>	<u>(210,503)</u>	<u>(323,416)</u>	<u>(112,913)</u>
Net change in fund balance	(2,146,661)	(1,162,487)	(632,773)	529,714
Fund balance at beginning of year	1,548,264	1,548,264	1,548,264	-
Prior year encumbrances appropriated	103,838	103,838	103,838	-
Fund balance at end of year	<u>\$ (494,559)</u>	<u>\$ 489,615</u>	<u>\$ 1,019,329</u>	<u>\$ 529,714</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 765,786
Total assets	<u>765,786</u>
Liabilities:	
Claims payable	<u>306,203</u>
Total liabilities	<u>306,203</u>
Net assets:	
Unrestricted.	<u>459,583</u>
Total net assets	<u><u>\$ 459,583</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, 2004

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 3,702,435
Total operating revenues	<u>3,702,435</u>
Operating expenses:	
Claims.	<u>3,127,536</u>
Total operating expenses	<u>3,127,536</u>
Operating income	<u>574,899</u>
Nonoperating revenues:	
Interest revenue	<u>3,668</u>
Total nonoperating revenues.	<u>3,668</u>
Change in net assets	578,567
Net assets (deficit) at beginning of year . .	<u>(118,984)</u>
Net assets at end of year	<u><u>\$ 459,583</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, 2004

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 3,702,435
Cash payments for claims.	<u>(3,065,590)</u>
Net cash provided by operating activities	<u>636,845</u>
Cash flows from investing activities:	
Interest received	<u>3,668</u>
Net cash provided by investing activities	<u>3,668</u>
Net increase in cash and cash equivalents	640,513
Cash and cash equivalents at beginning of year. . .	<u>125,273</u>
Cash and cash equivalents at end of year	<u><u>\$ 765,786</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 574,899
Changes in assets and liabilities: Increase in claims payable	<u>61,946</u>
Net cash provided by operating activities	<u><u>\$ 636,845</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, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 4,245	\$ 83,545
Investments	100,821	-
Receivables:		
Accounts	-	680
Total assets	105,066	\$ 84,225
Liabilities:		
Accounts payable	-	\$ 820
Intergovernmental payable	-	122
Due to students	-	83,283
Total liabilities	-	\$ 84,225
Net Assets:		
Held in trust for scholarships	105,066	
Total net assets	\$ 105,066	

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, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 4,146
Total additions	4,146
Deductions:	
Scholarships awarded	5,003
Change in net assets	(857)
Net assets at beginning of year	105,923
Net assets at end of year	\$ 105,066

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, 2004

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 184th largest in terms of total enrollment among the 613 public school districts in the State of Ohio. The District is staffed by 134 non-certified employees and 198 certified full-time teaching personnel who provide services to 2,689 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization 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.

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

JOINTLY GOVERNED ORGANIZATIONS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During the year ended June 30, 2004, the District paid approximately \$78,816 to OME-RESA for basic service charges.

Jefferson County Joint Vocational School

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUND

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Jefferson County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposit, and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

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 2004 amounted to \$19,870, which includes \$7,380 assigned from other funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District maintained a capitalization threshold of \$4,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables" and receivables and payables resulting from negative cash balances at fiscal year end are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, 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, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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, textbooks and capital acquisition. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

M. Operating Revenues and Expenses

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

N. Net Assets

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

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid 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 reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

R. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 2004, the District did not have any transactions that would be considered extraordinary or special.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

The District had a negative cash fund balance in the Title I, Preschool, and Miscellaneous Federal Grants nonmajor governmental funds, contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, this amount has been reported as fund liability.

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Major Fund</u>	
General Fund	\$ 353,429
<u>Nonmajor Funds</u>	
Food Service	111,711
Recreation	1,116
Management Information System	3,228
Disadvantaged Pupil Impact Aid	109,497
Ohio Reads	459
Title I	82,016
Drug-Free	35
Miscellaneous Federal Grants	2,669

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities and negative cash balances at year-end (See Note 3.A. for detail).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and

**EDISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash with 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, 2004, was \$765,786.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$1,490,766 and the bank balance was \$1,606,917. Of the bank balance:

1. \$256,791 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$1,350,126 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

	Category 3	Reported Amount	Fair Value
Repurchase agreement	<u>\$ 361,225</u>	<u>\$ 361,225</u>	<u>\$ 361,225</u>
Total investments		<u>\$ 361,225</u>	<u>\$ 361,225</u>

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 2,516,956	\$ 100,821
Investments of the cash management pool:		
Repurchase agreements	(361,225)	361,225
Certificates of deposit	100,821	(100,821)
Cash with fiscal agent	<u>(765,786)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 1,490,766</u>	<u>\$ 361,225</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2004 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	\$ 128,401

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, 2004 are reported on the Statement of Net Assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:		
General Fund		\$ 240,191
Nonmajor governmental funds		22,944
Transfers to General fund from:		
Nonmajor governmental funds		635

- C.** Due from/to other funds consisted of the following at June 30, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 32,085

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

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis 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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2004, are available to finance fiscal year 2004 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, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance and recorded as revenue at June 30, 2004, was \$301,578 in the general fund.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2004, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Utilities/Mineral Real Estate	\$ 128,593,450	47.54	\$ 144,571,840	49.53
Commercial/Industrial Real Estate	32,536,620	12.03	33,486,730	11.47
Public Utility Personal	97,882,530	36.18	99,534,040	34.10
General Tangible Property	<u>11,508,993</u>	<u>4.25</u>	<u>14,265,754</u>	<u>4.90</u>
Total	<u>\$ 270,521,593</u>	<u>100.00</u>	<u>\$ 291,858,364</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 27.60		\$ 27.90	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 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	\$ 7,466,909
Accounts	2,461
Intergovernmental	<u>257,269</u>
Total	<u>\$ 7,726,639</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 139,943	\$ -	\$ -	\$ 139,943
Total capital assets, not being depreciated	<u>139,943</u>	<u>-</u>	<u>-</u>	<u>139,943</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	570,007	-	-	570,007
Buildings and improvements	7,244,051	-	-	7,244,051
Furniture and equipment	721,750	29,013	-	750,763
Vehicles	2,110,521	-	(82,236)	2,028,285
Textbooks	819,662	-	-	819,662
Infrastructure	<u>104,234</u>	<u>-</u>	<u>-</u>	<u>104,234</u>
Total capital assets, being depreciated	<u>11,570,225</u>	<u>29,013</u>	<u>(82,236)</u>	<u>11,517,002</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(423,153)	(5,661)	-	(428,814)
Buildings and improvements	(4,134,048)	(132,220)	-	(4,266,268)
Furniture and equipment	(529,987)	(29,274)	-	(559,261)
Vehicles	(1,066,396)	(166,121)	74,012	(1,158,505)
Textbooks	(469,722)	(36,885)	-	(506,607)
Infrastructure	<u>(65,723)</u>	<u>(1,861)</u>	<u>-</u>	<u>(67,584)</u>
Total accumulated depreciation	<u>(6,689,029)</u>	<u>(372,022)</u>	<u>74,012</u>	<u>(6,987,039)</u>
Governmental activities capital assets, net	<u>\$ 5,021,139</u>	<u>\$ (343,009)</u>	<u>\$ (8,224)</u>	<u>\$ 4,669,906</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 119,331
Special	9,502

Support Services:

Pupil	3,857
Instructional staff	10,859
Administration	7,899
Operations and maintenance	17,220
Pupil transportation	167,568
Extracurricular activities	18,630
Food service operations	<u>17,156</u>

Total depreciation expense	<u>\$ 372,022</u>
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NOTE 9 - LEASE-PURCHASE AGREEMENT

A. On September 15, 1999, the District entered into a lease-purchase agreement with Sky Bank for the acquisition of new bleachers. In accordance with the terms of the agreement, the District received note proceeds of \$90,000 in the District Managed Student Activities special revenue fund. The proceeds were used to purchase new bleachers. This note, which is considered a revenue anticipation note, bears an interest rate of 4.95% and matures September 15, 2005. Principal and interest payments will be made out of the District Managed Student Activities fund. The following is a description of the District's revenue anticipation note outstanding as of June 30, 2004.

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2003</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2004</u>
Revenue Anticipation Note Payable	4.95%	9/15/05	\$ 43,943	\$ -	\$ (9,480)	<u>\$ 34,463</u>

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

<u>Fiscal Year Ending</u>	<u>Principal on Note</u>	<u>Interest on Note</u>	<u>Total</u>
2005	\$ 34,463	\$ 116	<u>\$ 34,579</u>
Total	<u>\$ 34,463</u>	<u>\$ 116</u>	<u>\$ 34,579</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Interest	Balance			Balance	Amounts
	Rate	Outstanding	Additions	Reductions	Outstanding	Due in
		<u>06/30/03</u>			<u>06/30/04</u>	<u>One Year</u>
Governmental Activities:						
Term loan	4.50%	\$ 135,332	\$ -	\$ (135,332)	\$ -	\$ -
Note payable		43,943	-	(9,480)	34,463	34,463
Compensated absences		<u>1,502,659</u>	<u>53,348</u>	<u>(31,675)</u>	<u>1,524,332</u>	<u>128,682</u>
Total long-term obligations, governmental activities		<u>\$ 1,681,934</u>	<u>\$ 53,348</u>	<u>\$ (176,487)</u>	<u>\$ 1,558,795</u>	<u>\$ 163,145</u>

B. On June 7, 1999, the District received \$1,218,000, in proceeds from a term loan. The loan bears an interest rate of 4.5% and was obtained through Citizen's National Bank. The proceeds were used to repay an energy conservation loan and a tax anticipation note and to finance a new addition to the high school. The final principal payment was made during fiscal 2004.

C. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$26,267,253 and an unvoted debt margin of \$291,858.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, 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>
Indiana Insurance Company		
General liability:		
Each occurrence	\$ 1,000,000	\$ 1,000
Aggregate	2,000,000	1,000
Umbrella liability:		
Each occurrence	2,000,000	5,000
Aggregate	2,000,000	5,000
Fleet:		
Liability	2,000,000	0
Uninsured Motorist	1,000,000	0
Medical Pay	5,000	0
Comprehensive	-	250
Collision	-	500
Indiana Insurance Company		
Building and contents	49,497,458	5,000

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

B. Fidelity Bond

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

C. Medical, Vision, Dental and Prescription Insurance

Medical, vision, dental and prescription insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several Districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims in the District's behalf. The claims liability of \$306,203 reported in the internal service fund at June 30, 2004, is based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. Changes in claims activity for the past two fiscal years are as follows:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT - (Continued)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$ 244,257	\$ 3,127,536	\$ (3,065,590)	\$ 306,203
2003	343,256	2,831,041	(2,930,040)	244,257

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.

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2004, 9.09% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$314,869, \$305,532, and \$295,102, respectively; 80.67% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$60,852, represents the unpaid contribution for fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

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

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,168,511, \$1,130,734, \$1,092,221, respectively; 80.51% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$227,728, represents the unpaid contribution for fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$83,465 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$134,961 during the 2004 fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (632,773)
Net adjustment for revenue accruals	(222,405)
Net adjustment for expenditure accruals	(325,995)
Net adjustment for other sources/uses	94,519
Adjustment for encumbrances	<u>379,120</u>
GAAP basis	<u>\$ (707,534)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. State School Funding Decision

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

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. 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, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ 125,175	\$ -
Current year set-aside requirement	351,117	351,117
Current year offsets	-	-
Qualifying disbursements	<u>(346,831)</u>	<u>(104,696)</u>
Total	<u>\$ 129,461</u>	<u>\$ 246,421</u>
Cash balance carried forward to FY 2005	<u>\$ 129,461</u>	<u>\$ 246,421</u>

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for textbooks	\$ 129,461
Amounts restricted for capital acquisition	246,421
Total restricted assets	<u>\$ 375,882</u>

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EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$86,620		\$86,620
National School Breakfast Program		10.553	\$70,168		\$70,168	
National School Lunch Program		10.555	250,336		250,336	
Special Milk Program		10.556	996		996	
Total U.S. Department of Agriculture - Nutrition Cluster			321,500	86,620	321,500	86,620
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-03 6B-SF-04	84.027	65,028 325,027 390,055		55,196 319,263 374,459	
Special Education - Preschool Grant	PG-S1-03 PG-S1-02	84.173	13,933 13,933		595 14,446 15,041	
Total Special Education Cluster			403,988		389,500	
Title II A - Improving Teacher Quality	TRS1-2003 TRS1-2004	84.367	(798) 132,054 131,256		15,732 118,343 134,075	
Title IID	TJS1-2004	84.318	14,565 14,565		15,129 15,129	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-03 C1-S1-04	84.010	62,617 580,389 643,006		94,378 611,397 705,775	
Innovative Educational Program Strategies	C2-S1-03 C2-S1-04	84.298	12,699 12,699		13,137 13,137	
Drug-Free Schools Grant	DR-S1-03 DR-S1-04	84.186	19,026 19,026		416 18,776 19,192	
Fund for Improvement of Education	R215K020330	84.215K			1,843	
Assistive Technology Infusion Project		84.352	2,570		2,570	
21st Century Grant	T1-S1-03	84.287C	353,391		368,486	
Total U.S. Department of Education			1,580,501		1,649,707	
Total Federal Financial Awards			\$1,902,001	\$86,620	\$1,971,207	\$86,620

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

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2004**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. FOOD DISTRIBUTION

Non monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the district had no significant food commodities in inventory.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 17, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 17, 2005.

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

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

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

Betty Montgomery
Auditor of State

February 17, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Edison Local School District, Jefferson County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular, A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Edison Local School District, Jefferson County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

Betty Montgomery
Auditor of State

February 17, 2005

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 ' .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs= Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under ' .510?	No
(d)(1)(vii)	Major Programs (list):	Title I – Grants to Local Educational Agencies CFDA# 84.010; Title II-A – Improving Teacher Quality CFDA # 84.367
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None	
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None	
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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
MAY 5, 2005**