



Mary Taylor, CPA
Auditor of State

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Jefferson County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

April 8, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The management's 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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities decreased \$219,165 which represents an 6.77% decrease from 2007.
- General revenues accounted for \$15,288,204 in revenue or 77.07% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$4,548,722 or 22.93% of total revenues of \$19,836,926.
- The District had \$20,056,091 in expenses related to governmental activities; only \$4,548,722 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 \$15,288,204 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$17,038,390 in revenues and other financing sources and \$17,570,990 in expenditures and other financing uses. During fiscal 2008, the general fund's fund deficit balance increased \$532,600 from a deficit of \$1,030,693 to a deficit of \$1,563,293.

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 2008?" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

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

In the statement of net assets and statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-54 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole. During 2008, the District restated net assets at June 30, 2007, see Note 3.B. The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	(Restated) Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 9,717,623	\$ 10,712,183
Capital assets, net	<u>4,589,556</u>	<u>4,567,791</u>
Total assets	<u>14,307,179</u>	<u>15,279,974</u>
<u>Liabilities</u>		
Current liabilities	8,894,084	9,880,080
Long-term liabilities	<u>2,393,376</u>	<u>2,161,010</u>
Total liabilities	<u>11,287,460</u>	<u>12,041,090</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,614,018	3,996,791
Restricted	215,967	649,417
Unrestricted (deficit)	<u>(810,266)</u>	<u>(1,407,324)</u>
Total net assets	<u>\$ 3,019,719</u>	<u>\$ 3,238,884</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$3,019,719.

At year-end, capital assets represented 32.08% of total assets. Capital assets include land, construction in progress, 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, 2008, were \$3,614,018. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

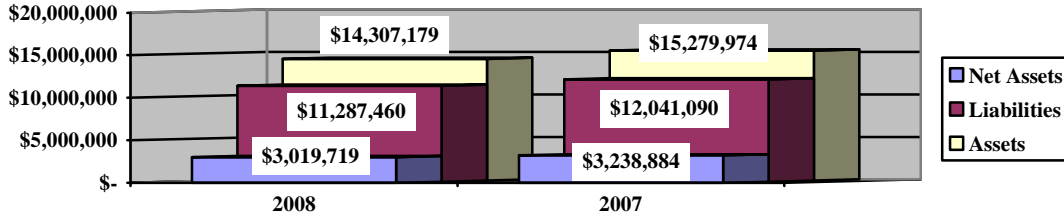
A portion of the District's net assets, \$215,967, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$810,266.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2008 and 2007:

Governmental Activities



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,228,825	\$ 1,131,238
Operating grants and contributions	3,302,817	4,058,504
Capital grants and contributions	17,080	36,070
General revenues:		
Property taxes	6,653,160	8,902,274
Grants and entitlements	8,467,803	8,096,582
Investment earnings	99,288	102,950
Other	<u>67,953</u>	<u>86,347</u>
Total revenues	\$ <u>19,836,926</u>	\$ <u>22,413,965</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

	Change in Net Assets	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,032,893	\$ 7,874,301
Special	1,588,845	1,983,578
Vocational	205,455	166,524
Adult education	-	1,500
Other	1,817,111	1,439,497
Support services:		
Pupil	681,106	1,074,306
Instructional staff	1,140,353	724,216
Board of education	229,493	162,772
Administration	1,505,534	1,610,658
Fiscal	483,999	398,016
Business	112,371	103,804
Operations and maintenance	1,585,975	1,513,984
Pupil transportation	2,076,761	2,212,010
Central	366,783	139,168
Food service operations	734,322	819,711
Operations of non-instructional services	11,643	3,698
Extracurricular activities	392,728	389,288
Interest and fiscal charges	<u>90,719</u>	<u>45,960</u>
Total expenses	<u>20,056,091</u>	<u>20,662,991</u>
Change in net assets	(219,165)	1,750,974
Net assets at beginning of year (restated)	<u>3,238,884</u>	<u>1,487,910</u>
Net assets at end of year	<u>\$ 3,019,719</u>	<u>\$ 3,238,884</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$219,165. Total governmental expenses of \$20,056,091 were offset by program revenues of \$4,548,722, and general revenues of \$15,288,204. Program revenues supported 22.68% of the total governmental expenses.

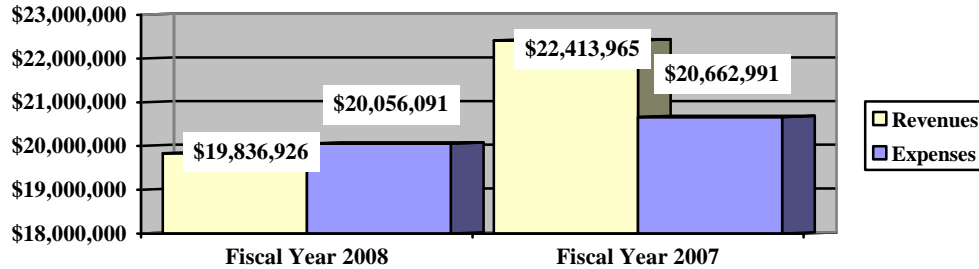
The primary sources of revenue for governmental activities are derived from property taxes, grants and state foundation. These revenue sources represent 76.23% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Jefferson County 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, 2008
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

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>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program expenses				
Instruction:				
Regular	\$ 7,032,893	\$ 5,571,329	\$ 7,874,301	\$ 6,018,849
Special	1,588,845	766,799	1,983,578	756,187
Vocational	205,455	147,934	166,524	80,760
Adult education	-	-	1,500	881
Other	1,817,111	1,817,111	1,439,497	1,439,497
Support services:				
Pupil	681,106	420,622	1,074,306	790,895
Instructional staff	1,140,353	387,954	724,216	145,205
Board of education	229,493	224,493	162,772	162,772
Administration	1,505,534	1,364,176	1,610,658	1,406,275
Fiscal	483,999	483,999	398,016	398,016
Business	112,371	112,371	103,804	103,804
Operations and maintenance	1,585,975	1,580,052	1,513,984	1,513,536
Pupil transportation	2,076,761	1,871,758	2,212,010	2,138,373
Central	366,783	353,813	139,168	115,888
Food service operations	734,322	23,828	819,711	30,356
Operations of non-instructional services	11,643	6,705	3,698	1,577
Extracurricular activities	392,728	283,706	389,288	288,348
Interest and fiscal charges	<u>90,719</u>	<u>90,719</u>	<u>45,960</u>	<u>45,960</u>
Total expenses	<u>\$ 20,056,091</u>	<u>\$ 15,507,369</u>	<u>\$ 20,662,991</u>	<u>\$ 15,437,179</u>

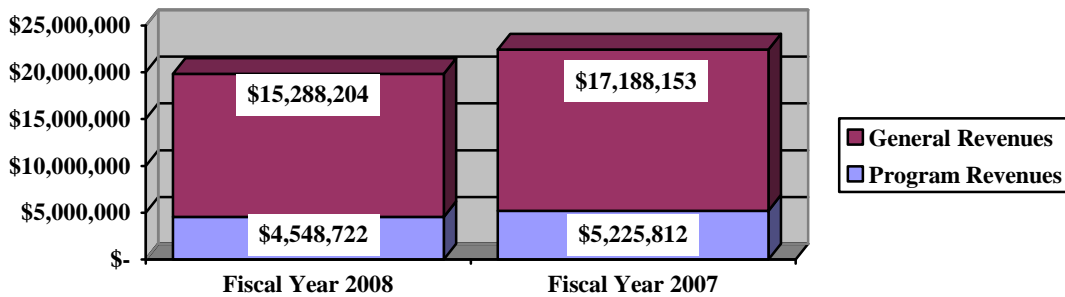
**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 78.01% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.32%. 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 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund deficit balance of \$1,488,703, which is a larger deficit than last year's deficit fund balance of \$998,296. The schedule below indicates the fund deficit balance and the total change in fund deficit balance as of June 30, 2008 and 2007.

	Fund Balance (Deficit) <u>June 30, 2008</u>	Fund Balance (Deficit) <u>June 30, 2007</u>	<u>Increase</u>
General	\$ (1,563,293)	\$ (1,030,693)	\$ (532,600)
Other Governmental	<u>74,590</u>	<u>32,397</u>	<u>42,193</u>
Total	<u>\$ (1,488,703)</u>	<u>\$ (998,296)</u>	<u>\$ (490,407)</u>

General Fund

The District's general fund deficit balance increased \$532,600. 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, 2008
(UNAUDITED)

	<u>2008</u>	<u>2007</u>	<u>Increase</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,583,822	\$ 8,890,644	\$ (2,306,822)	(25.95) %
Tuition	769,465	720,423	49,042	6.81 %
Earnings on investments	56,307	64,007	(7,700)	(12.03) %
Intergovernmental	8,944,799	8,599,823	344,976	4.01 %
Other revenues	<u>116,769</u>	<u>77,763</u>	<u>39,006</u>	50.16 %
Total	<u>\$ 16,471,162</u>	<u>\$ 18,352,660</u>	<u>\$ (1,881,498)</u>	(10.25) %
<u>Expenditures</u>				
Instruction	\$ 9,471,796	\$ 10,201,274	\$ (729,478)	(7.15) %
Support services	6,881,223	7,721,536	(840,313)	(10.88) %
Operation of non-instructional services	1,725	1,140	585	51.32 %
Extracurricular activities	240,384	267,751	(27,367)	(10.22) %
Capital outlay	559,799	65,212	494,587	758.43 %
Debt Service	<u>193,594</u>	<u>44,132</u>	<u>149,462</u>	338.67 %
Total	<u>\$ 17,348,521</u>	<u>\$ 18,301,045</u>	<u>\$ (952,524)</u>	(5.20) %

Tax revenue decreased \$2,306,822 or 25.95% from the prior year. This decrease was primarily attributable to two reasons. First, there was an approximate \$475,000 variance in the amount of tax advance that was available to the District from the county auditor at June 30, 2008 versus June 30, 2007. This variance resulted in less tax revenue being reported in fiscal year 2008. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed. Secondly, tax revenue decreased due to the phase out of tangible personal property tax revenue. Tuition increased 6.81% due to the District's continued participation in open enrollment. The 12.03% decrease in earnings on investments was a result of a decline in high interest bearing accounts held by the District during the year. Intergovernmental revenue increased \$344,976 from the prior year. The increase is primarily attributed to an increase in tangible personal property tax loss reimbursements from the State pursuant to Am. Sub House Bill 66. Other revenues increased 50.16% due to increased parking fee revenues. Instruction and support services expenditures decreased as a result of District cut backs. The District was placed in fiscal watch on February 7, 2007. Capital outlay and debt service increased due to a lease purchase agreement. All other revenues and expenditures remained comparable to prior years.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$20,738,913, which is higher than the original budgeted revenues of \$19,216,000. Actual revenues and other financing sources for fiscal year 2008 was \$20,785,394. This represents a \$46,481 increase from final budgeted revenues.

General funds final appropriations and other financing uses were \$20,754,578, which is higher than the original appropriations of \$19,863,794. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$21,130,962, which was \$376,384 higher than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

The District restated capital assets at June 30, 2007 for a reappraisal and increase in capitalization threshold, see Note 3.B. At the end of fiscal year 2008, the District had \$4,589,556 invested in land, construction in progress, 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 year 2008 balances compared to 2007:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>(Restated) 2007</u>
Land	\$ 121,734	\$ 139,943
Construction in progress	238,500	-
Land improvements	224,847	241,775
Buildings and improvements	2,485,057	2,926,575
Furniture and equipment	123,713	175,661
Vehicles	1,253,988	760,227
Textbooks	124,259	299,510
Infrastructure	<u>17,458</u>	<u>24,100</u>
Total	<u>\$ 4,589,556</u>	<u>\$ 4,567,791</u>

Total additions to capital assets for 2008 were \$984,856 and depreciation expense was \$572,951 for fiscal year 2008. Net disposals (disposals less accumulated depreciation) were \$390,140.

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

Debt Administration

At June 30, 2008, the District had \$467,506 in bonds payable, \$35,200 in capital lease obligations, and \$508,032 in lease purchase agreements outstanding. Of this total, \$246,307 is due within one year and \$764,431 is due in greater than one year. The following table summarizes the bonds and leases outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)

Outstanding Debt, at Year End

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Bonds payable	\$ 467,506	\$ 571,000
Lease obligations	35,200	50,804
Lease purchase agreement	<u>508,032</u>	<u>-</u>
Total	<u>\$ 1,010,738</u>	<u>\$ 621,804</u>

At June 30, 2008, the District's overall legal debt margin was \$29,827,235 and an unvoted debt margin of \$336,606.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

On November 8, 2005 the District renewed a 2.3 mill emergency levy, which will generate \$1,049,150 annually for five (5) years. The District has placed a 2.75 mill permanent improvement levy on the November 4, 2008 ballot. The levy will generate approximately \$924,000 annually, for a five year period.

The District entered into a contract on January 1, 2008 with Medical Mutual of Ohio to provide a fully insured insurance program. Medical Mutual agreed with the District to provide all eligible covered persons, the covered services described in the certificates, schedules of benefits, riders, and amendments listed in the contract. The District anticipates a savings of approximately \$700,000 in the first year.

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

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 93,081
Cash with fiscal agent	1,637,291
Receivables:	
Taxes	7,608,107
Accounts	60,467
Accrued interest.	838
Intergovernmental	284,178
Prepayments	13,429
Materials and supplies inventory	20,232
Capital assets:	
Land	121,734
Construction in progress.	238,500
Depreciable capital assets, net	4,229,322
Capital assets, net.	4,589,556
 Total assets.	 14,307,179
Liabilities:	
Accounts payable.	56,066
Contracts payable	238,500
Accrued wages and benefits	1,608,898
Pension obligation payable.	367,886
Intergovernmental payable	45,948
Accrued interest payable	1,741
Unearned revenue	6,575,045
Long-term liabilities:	
Due within one year.	476,992
Due within more than one year	1,916,384
 Total liabilities	 11,287,460
Net Assets:	
Invested in capital assets, net of related debt.	3,614,018
Restricted for:	
Capital projects.	76,825
State funded programs	24,576
Federally funded programs	16,088
Student activities	41,678
Public school support	41,889
Other purposes	14,911
Unrestricted (deficit).	(810,266)
 Total net assets.	 \$ 3,019,719

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 7,032,893	\$ 779,108	\$ 682,456	\$ -	\$ (5,571,329)
Special	1,588,845	-	822,046	-	(766,799)
Vocational	205,455	-	57,521	-	(147,934)
Other	1,817,111	-	-	-	(1,817,111)
Support services:					
Pupil	681,106	267	260,217	-	(420,622)
Instructional staff	1,140,353	3,186	749,213	-	(387,954)
Board of education	229,493	5,000	-	-	(224,493)
Administration	1,505,534	38,143	103,215	-	(1,364,176)
Fiscal	483,999	-	-	-	(483,999)
Business	112,371	-	-	-	(112,371)
Operations and maintenance	1,585,975	5,328	595	-	(1,580,052)
Pupil transportation	2,076,761	83,025	104,898	17,080	(1,871,758)
Central	366,783	-	12,970	-	(353,813)
Operation of non-instructional services:					
Food service operations	734,322	213,769	496,725	-	(23,828)
Other non-instructional services	11,643	1,519	3,419	-	(6,705)
Extracurricular activities	392,728	99,480	9,542	-	(283,706)
Interest and fiscal charges	90,719	-	-	-	(90,719)
Total governmental activities	\$ 20,056,091	\$ 1,228,825	\$ 3,302,817	\$ 17,080	(15,507,369)
General Revenues:					
Property taxes levied for:					
General purposes					6,653,160
Grants and entitlements not restricted to specific programs					8,467,803
Investment earnings					99,288
Miscellaneous					67,953
Total general revenues					15,288,204
Change in net assets					(219,165)
Net assets at beginning of year (restated)					3,238,884
Net assets at end of year					\$ 3,019,719

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ -	\$ 93,081	\$ 93,081
Receivables:			
Taxes.	7,608,107	-	7,608,107
Accounts	60,334	133	60,467
Accrued interest.	838	-	838
Intergovernmental	-	284,178	284,178
Interfund loans	82,952	-	82,952
Due from other funds	-	224,306	224,306
Prepayments	13,429	-	13,429
Materials and supplies inventory	-	20,232	20,232
Total assets	<u>\$ 7,765,660</u>	<u>\$ 621,930</u>	<u>\$ 8,387,590</u>
Liabilities:			
Accounts payable	\$ 28,800	\$ 27,266	\$ 56,066
Contracts payable	238,500	-	238,500
Accrued wages and benefits	1,317,623	291,275	1,608,898
Compensated absences payable	54,462	-	54,462
Pension obligation payable.	297,756	70,130	367,886
Intergovernmental payable.	34,354	11,594	45,948
Interfund loan payable	-	82,952	82,952
Due to other funds	224,306	-	224,306
Deferred revenue.	558,107	64,123	622,230
Unearned revenue	6,575,045	-	6,575,045
Total liabilities	<u>9,328,953</u>	<u>547,340</u>	<u>9,876,293</u>
Fund Balances:			
Reserved for encumbrances	75,713	53,203	128,916
Reserved for materials and supplies inventory.	-	20,232	20,232
Reserved for prepayments	13,429	-	13,429
Reserved for property taxes	474,955	-	474,955
Reserved for school bus purchases.	14,911	-	14,911
Unreserved, undesignated (deficit), reported in:			
General fund	(2,142,301)	-	(2,142,301)
Special revenue funds.	-	(75,899)	(75,899)
Debt service fund	-	229	229
Capital projects funds.	-	76,825	76,825
Total fund balances (deficit)	<u>(1,563,293)</u>	<u>74,590</u>	<u>(1,488,703)</u>
Total liabilities and fund balances	<u>\$ 7,765,660</u>	<u>\$ 621,930</u>	<u>\$ 8,387,590</u>

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, 2008

Total governmental fund balances (deficit)		\$	(1,488,703)
<i>Amounts reported for governmental activities on 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.			4,589,556
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	558,107	
Intergovernmental revenue		<u>64,123</u>	
Total			622,230
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			1,637,291
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.			(1,741)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		1,328,176	
Lease purchase agreement		508,032	
Capital lease payable		35,200	
Bonds payable		<u>467,506</u>	
			<u>(2,338,914)</u>
Net assets of governmental activities		<u>\$</u>	<u>3,019,719</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 6,583,822	\$ -	\$ 6,583,822
Tuition.	769,465	16,951	786,416
Charges for services.	-	213,769	213,769
Transportation fees	79,195	-	79,195
Earnings on investments.	56,307	-	56,307
Extracurricular.	-	137,259	137,259
Other local revenues.	37,574	46,971	84,545
Intergovernmental - State	8,944,799	994,201	9,939,000
Intergovernmental - Federal.	-	1,913,851	1,913,851
Total revenues.	<u>16,471,162</u>	<u>3,323,002</u>	<u>19,794,164</u>
Expenditures:			
Current:			
Instruction:			
Regular	6,273,565	728,979	7,002,544
Special.	1,175,388	447,323	1,622,711
Vocational.	205,732	-	205,732
Other	1,817,111	-	1,817,111
Support services:			
Pupil.	424,767	263,750	688,517
Instructional staff	221,051	826,688	1,047,739
Board of education	229,493	-	229,493
Administration.	1,341,609	184,754	1,526,363
Fiscal	479,766	-	479,766
Business	116,877	-	116,877
Operations and maintenance.	1,795,835	581	1,796,416
Pupil transportation	1,904,659	103,189	2,007,848
Central.	367,166	1,070	368,236
Operation of non-instructional services:			
Food service operations	-	745,558	745,558
Other non-instructional services	1,725	9,918	11,643
Extracurricular activities.	240,384	116,380	356,764
Capital outlay	559,799	87,367	647,166
Debt service:			
Principal retirement	135,954	122,278	258,232
Interest and fiscal charges	57,640	33,465	91,105
Total expenditures	<u>17,348,521</u>	<u>3,671,300</u>	<u>21,019,821</u>
Deficiency of revenues under expenditures	<u>(877,359)</u>	<u>(348,298)</u>	<u>(1,225,657)</u>
Other financing sources (uses):			
Transfers in	1,940	222,469	224,409
Transfers (out)	(222,469)	(1,940)	(224,409)
Lease-purchase agreement	559,799	87,367	647,166
Sale of capital assets.	5,489	76,825	82,314
Total other financing sources (uses)	<u>344,759</u>	<u>384,721</u>	<u>729,480</u>
Net change in fund balances	(532,600)	36,423	(496,177)
Fund balances (deficit) at			
beginning of year	(1,030,693)	32,397	(998,296)
Increase in reserve for inventory	-	5,770	5,770
Fund balances (deficit) at end of year	<u>\$ (1,563,293)</u>	<u>\$ 74,590</u>	<u>\$ (1,488,703)</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, 2008

Net change in fund balances - total governmental funds	\$	(496,177)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 984,856	
Current year depreciation	<u>(572,951)</u>	
Total		411,905
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.		
		(390,140)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		5,770
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	69,338	
Intergovernmental revenue	<u>(88,290)</u>	
Total		(18,952)
Proceeds of lease purchase agreements an other financing source in the governmental funds; however, the issuance of debt increases long-term liabilities in the statement of net assets.		
		(647,166)
Payment of debt principal are an expenditure in the governmental funds but the repayment reduces long-term liabilities in that statement of net assets.		
		258,232
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		386
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are are not reported as expenditures in governmental funds.		
		(12,300)
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		
		<u>669,277</u>
Change in net assets of governmental activities	\$	<u>(219,165)</u>

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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 6,526,640	\$ 7,043,891	\$ 7,059,678	\$ 15,787
Tuition.	707,310	763,366	765,077	1,711
Transportation fees.	71,479	77,144	77,317	173
Earnings on investments.	57,007	61,525	61,663	138
Other local revenues.	30,350	32,755	32,828	73
Intergovernmental - State	8,269,424	8,924,796	8,944,799	20,003
Total revenues.	<u>15,662,210</u>	<u>16,903,477</u>	<u>16,941,362</u>	<u>37,885</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,255,691	6,536,226	6,442,640	93,586
Special.	1,153,918	1,205,665	1,194,965	10,700
Vocational.	209,029	218,403	214,906	3,497
Other.	1,770,050	1,849,427	1,851,403	(1,976)
Support services:				
Pupil.	595,423	622,124	599,766	22,358
Instructional staff	223,584	233,611	227,784	5,827
Board of education	230,954	241,311	235,822	5,489
Administration.	1,367,912	1,429,255	1,404,404	24,851
Fiscal	468,110	489,102	481,492	7,610
Business	117,912	123,200	118,476	4,724
Operations and maintenance.	1,572,908	1,643,444	1,622,841	20,603
Pupil transportation	1,981,501	2,070,361	2,047,750	22,611
Central.	360,311	376,469	376,469	-
Operation of non-instructional services	1,651	1,725	1,725	-
Extracurricular activities.	242,065	252,920	244,165	8,755
Total expenditures	<u>16,551,019</u>	<u>17,293,243</u>	<u>17,064,608</u>	<u>228,635</u>
Deficiency of revenues under expenditures.	<u>(888,809)</u>	<u>(389,766)</u>	<u>(123,246)</u>	<u>266,520</u>
Other financing sources (uses):				
Transfers in	1,794	1,936	1,940	4
Transfers (out)	(3,312,775)	(3,461,335)	(3,976,609)	(515,274)
Advances in	121,901	131,562	131,857	295
Advances (out)	-	-	(89,745)	(89,745)
Sale of notes	3,420,633	3,691,726	3,700,000	8,274
Sale of assets	9,462	10,212	10,235	23
Total other financing sources (uses)	<u>241,015</u>	<u>374,101</u>	<u>(222,322)</u>	<u>(596,423)</u>
Net change in fund balance	(647,794)	(15,665)	(345,568)	(329,903)
Fund balance (deficit)				
at beginning of year	(191,697)	(191,697)	(191,697)	-
Prior year encumbrances appropriated	<u>202,682</u>	<u>202,682</u>	<u>202,682</u>	<u>-</u>
Fund balance (deficit) at end of year.	<u>\$ (636,809)</u>	<u>\$ (4,680)</u>	<u>\$ (334,583)</u>	<u>\$ (329,903)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 1,637,291
Total assets	<u>1,637,291</u>
Net assets:	
Unrestricted.	<u>1,637,291</u>
Total net assets	<u><u>\$ 1,637,291</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, 2008

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 1,959,221
Total operating revenues	<u>1,959,221</u>
Operating expenses:	
Claims.	<u>1,351,658</u>
Total operating expenses	<u>1,351,658</u>
Operating income	<u>607,563</u>
Nonoperating revenues:	
Interest revenue	<u>61,714</u>
Total nonoperating revenues.	<u>61,714</u>
Change in net assets	669,277
Net assets at beginning of year	<u>968,014</u>
Net assets at end of year	<u><u>\$ 1,637,291</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, 2008

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,959,221
Cash payments for claims.	<u>(1,758,955)</u>
Net cash provided by operating activities	<u>200,266</u>
Cash flows from investing activities:	
Interest received	<u>61,714</u>
Net cash provided by investing activities	<u>61,714</u>
Net increase in cash and cash equivalents	261,980
Cash and cash equivalents at beginning of year. . .	<u>1,375,311</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,637,291</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 607,563
Changes in assets and liabilities: Decrease in claims payable	<u>(407,297)</u>
Net cash provided by operating activities	<u><u>\$ 200,266</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, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 13	\$ 86,123
Investments	101,108	-
Receivables:		
Accounts	-	35
Total assets	101,121	\$ 86,158
Liabilities:		
Accounts payable.	-	\$ 10
Due to students	-	86,148
Total liabilities	-	\$ 86,158
Net Assets:		
Held in trust for scholarships	101,121	
Total net assets	\$ 101,121	

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, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 441
Gifts and contributions	1,000
	1,441
Total additions	1,441
Deductions:	
Scholarships awarded	3,000
Change in net assets	(1,559)
Net assets at beginning of year	102,680
Net assets at end of year	\$ 101,121

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, 2008

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 246th largest in terms of total enrollment among the 896 public and community schools in the State of Ohio. The District is staffed by 85 non-certified employees and 138 certified full-time teaching personnel who provide services to 2,134 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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

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

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

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

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

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

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During the year ended June 30, 2008, the District paid approximately \$68,630, 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 (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and 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, interest, tuition, grants, student fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations 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 2008 is as follows:

1. *Tax Budget* - Ohio Revised Code Section 5705.28 required the District to adopt a tax budget for the following fiscal year on or before January 15. This section requires the adopted budget to be submitted to the County Auditor, as Secretary of the County Budget Commission by January 20 of each year, for the period July 1 through June 30 of the following year. The District obtained a waiver as provided for by Ohio Revised Code Section 5705.281, in which they did not have to adopt a tax budget or submit the budget to the County Auditor.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2008.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2008, investments were limited to certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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 2008 amounted to \$56,307, all of which was assigned from other funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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 2008, the District increased their capitalization threshold from \$4,000 to \$5,000. 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 and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years
Textbooks	6 years
Infrastructure	50 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and cash deficits are classified as "interfund receivables/payables" and "due to/from other funds", respectively. These amounts are eliminated in the governmental activities column on the statement of net assets. Receivables and payables resulting from loans from governmental funds to the agency fund are classified as "loans receivable/payable."

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave 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, 2008

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. An accrual for sick leave is made to the extent that it is probable that the benefit will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, 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 sick leave 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 sick leave has been calculated using pay rates in effect at June 30, 2008, 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Fund Balance Reserves

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

O. Prepayments

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

P. Estimates

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

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook and bus purchase reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 18. The District's restricted assets are not presented on the financial statements because the general fund had a negative cash balance at June 30, 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2008, the District did not have any transactions that would be considered extraordinary or special.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Assets

The District had an appraisal of its assets and increased its capitalization threshold during fiscal year 2008 (see Note 2.H.). The change had the following effect on the net assets at June 30, 2007:

	Governmental Activities
Net assets, June 30, 2007	\$ 3,720,770
Adjustment for capital assets	(481,886)
Restated net assets, June 30, 2007	\$ 3,238,884

C. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 1,563,293
 <u>Nonmajor funds</u>	
Food service	56,452
Recreation	3,755
EMIS	27,206
Data communication	18,683
Poverty Aid	45,318
Title VI	8

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

D. Negative Cash Balances

Contrary to Sections 5705.10(H) and 3315.20 of the Ohio Revised Code, the District had negative cash balances of \$224,306 in the general fund, indicating that revenue from other sources were used to pay obligations of these funds. There were no requests for payment pending at fiscal year-end sufficient to cover the amount of the deficit.

E. Other Noncompliance

Pursuant to Ohio Revised Code Section 117.28 and negotiated agreements, Findings for Recovery were issued for overpayment of payroll compensation and severance pay. In addition, Ohio Administrative Code Section 117-2-02 (B)(1) was cited for failure to maintain accounting records sufficient to reasonably assure accountability for all transactions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim 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 or deposit accounts including passbook accounts.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

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

B. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2008 was \$1,637,291.

C. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$278,725. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$366,588 of the District's bank balance of \$566,588 was exposed to custodial risk as discussed below, while \$200,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 278,725
Cash with fiscal agent	1,637,291
Cash on hand	<u>1,600</u>
Total	<u>\$ 1,917,616</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,730,372
Private-purpose trust funds	101,121
Agency funds	<u>86,123</u>
Total	<u>\$ 1,917,616</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2008 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	\$ 82,952

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, 2008 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers from the general fund to:	
Nonmajor governmental funds	\$ 222,469
Transfers from a nonmajor governmental fund to:	
General fund	<u>1,940</u>
Total	<u>\$ 224,409</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

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

- C. At June 30, 2008, amounts due to/from other funds as reported on the fund statements, consist of the following:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 224,306

The primary purpose of the interfund balances is to cover negative cash balances at June 30. 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, 2008 are reported on the statement of net assets.

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 year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Jefferson, Carroll and Harrison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivables represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amounts available intended to finance the current year) is therefore offset by a credit to unearned revenue. The late settlement and the amount available as an advance at June 30 are recognized as revenue. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$474,955 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$950,811 in the general fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and utilities/mineral real Estate	\$ 179,979,570	54.00	\$ 181,240,570	53.65
Commercial/industrial real estate	39,940,500	11.98	40,115,460	11.88
Public utility personal	112,057,640	33.62	115,784,710	34.27
General tangible property	<u>1,303,855</u>	<u>0.40</u>	<u>670,978</u>	<u>0.20</u>
Total	<u>\$ 333,281,565</u>	<u>100.00</u>	<u>\$ 337,811,718</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$29.90		\$29.90

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest 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	\$ 7,608,107
Accounts	60,467
Accrued interest	838
Intergovernmental	<u>284,178</u>
Total	<u>\$ 7,953,590</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due a reappraisal of its assets and an increase in capitalization threshold at June 30, 2007. See Note 3.B. for detail:

	<u>Balance 6/30/07</u>	<u>Adjustments</u>	<u>Restated Balance 6/30/07</u>
Governmental activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 139,943	\$ -	\$ 139,943
<i>Total capital assets, not being depreciated</i>	<u>139,943</u>	<u>-</u>	<u>139,943</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	585,317	75,348	660,665
Buildings and improvements	8,117,264	(244,874)	7,872,390
Furniture and equipment	931,542	(373,643)	557,899
Vehicles	2,483,587	(855,753)	1,627,834
Textbooks	819,662	231,844	1,051,506
Infrastructure	<u>104,234</u>	<u>-</u>	<u>104,234</u>
Total capital assets, being depreciated	<u>13,041,606</u>	<u>(1,167,078)</u>	<u>11,874,528</u>
<i>Less: accumulated depreciation:</i>	<u>(8,131,872)</u>	<u>685,192</u>	<u>(7,446,680)</u>
Governmental activities capital assets, net	<u>\$ 5,049,677</u>	<u>\$ (481,886)</u>	<u>\$ 4,567,791</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/08</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 139,943	\$ -	\$ (18,209)	\$ 121,734
Construction in progress	<u>-</u>	<u>238,500</u>	<u>-</u>	<u>238,500</u>
Total capital assets, not being depreciated	<u>139,943</u>	<u>238,500</u>	<u>(18,209)</u>	<u>360,234</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	660,665	-	-	660,665
Buildings and improvements	7,872,390	-	(1,073,509)	6,798,881
Furniture and equipment	557,899	6,600	(84,780)	479,719
Vehicles	1,627,834	739,756	-	2,367,590
Textbooks	1,051,506	-	-	1,051,506
Infrastructure	<u>104,234</u>	<u>-</u>	<u>(16,185)</u>	<u>88,049</u>
Total capital assets, being depreciated	<u>11,874,528</u>	<u>746,356</u>	<u>(1,174,474)</u>	<u>11,446,410</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(418,890)	(16,928)	-	(435,818)
Buildings and improvements	(4,945,815)	(115,833)	747,824	(4,313,824)
Furniture and equipment	(382,238)	(17,392)	43,624	(356,006)
Vehicles	(867,607)	(245,995)	-	(1,113,602)
Textbooks	(751,996)	(175,251)	-	(927,247)
Infrastructure	<u>(80,134)</u>	<u>(1,552)</u>	<u>11,095</u>	<u>(70,591)</u>
Total accumulated depreciation	<u>(7,446,680)</u>	<u>(572,951)</u>	<u>802,543</u>	<u>(7,217,088)</u>
Governmental activities capital assets, net	<u>\$ 4,567,791</u>	<u>\$ 411,905</u>	<u>\$ (390,140)</u>	<u>\$ 4,589,556</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 105,765
Special	7,926
Vocational	1,226
<u>Support Services:</u>	
Pupil	2,327
Instructional staff	138,872
Administration	8,900
Operations and maintenance	12,408
Pupil transportation	250,690
Central	570
Extracurricular activities	35,964
Food service operations	<u>8,303</u>
Total depreciation expense	<u>\$ 572,951</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Copier equipment in the amount of \$65,212 has not been capitalized since the assets individually do not meet the District's capitalization threshold. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$15,604 paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 19,104
2010	19,104
Total minimum lease payments	38,208
Less: amount representing interest	(3,008)
Total	\$ 35,200

NOTE 10 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

During fiscal year 2008, the District entered into a lease-purchase agreement with Navistar Financial to finance the purchase of buses. This lease meets the criteria of a lease-purchase as defined by FASB Statement No. 13, "Accounting for Leases", which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. At June 30, 2008, capital assets acquired by lease purchase have been capitalized under vehicles in the amount of \$739,756; the current book value was \$693,521. Lease-purchase payments have been reflected as debt service expenditures from the general fund. Principal payments in the amount of \$139,134 were made during fiscal year 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2009	\$ 139,134
2010	139,134
2011	139,134
2012	<u>139,134</u>
Total minimum lease payments	556,536
Less: amount representing interest	<u>(48,504)</u>
Present value of minimum lease payments	<u>\$ 508,032</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 571,000	\$ -	\$ (103,494)	\$ 467,506	\$ 109,325
Capital lease payable	50,804	-	(15,604)	35,200	16,899
Lease purchase agreement	-	647,166	(139,134)	508,032	120,083
Compensated absences	<u>1,539,206</u>	<u>214,595</u>	<u>(371,163)</u>	<u>1,382,638</u>	<u>230,685</u>
Total long-term obligations, governmental activities	<u>\$ 2,161,010</u>	<u>\$ 861,761</u>	<u>\$ (629,395)</u>	<u>\$ 2,393,376</u>	<u>\$ 476,992</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District is primarily the general fund and the following nonmajor governmental funds: food service, EMIS, public school preschool, DPIA, Title VI-B, Title I and Title VI-R.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 109,325	\$ 18,454	\$ 127,779
2010	114,212	13,458	127,670
2011	119,318	8,239	127,557
2012	124,651	2,786	127,437
Total	<u>\$ 467,506</u>	<u>\$ 42,937</u>	<u>\$ 510,443</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$29,827,235 and an unvoted debt margin of \$336,606.

NOTE 12 - NOTES PAYABLE

The District's notes payable activity for the fiscal year ended June 30, 2008 was as follows:

	Rate	Balance at 06/30/2007	Additions	Reductions	Balance at 06/30/2008
Tax anticipation notes	5.10%	\$ -	\$ 2,200,000	\$ (2,200,000)	\$ -
Tax anticipation notes	5.50%	-	1,500,000	(1,500,000)	-
Total		<u>\$ -</u>	<u>\$ 3,700,000</u>	<u>\$ (3,700,000)</u>	<u>\$ -</u>

On July 11, 2007, the District received \$2,200,000 in proceeds from a tax anticipation note. The note bore an interest rate of 5.10%. The note was repaid on November 11, 2007. On December 11, 2007, the District received \$1,500,000 in proceeds from a tax anticipation note. The note bore an interest rate of 5.50%. The note was repaid on April 11, 2008. The proceeds of these notes were used to supplement anticipated real estate settlements. Principal and interest payments on these notes were \$3,700,000 and \$54,140, respectively. The note activity was recorded in the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - 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 2008, the District has contracted with the following insurance companies to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Netherlands Insurance Company		
General liability:		
Each occurrence	\$ 1,000,000	\$ 1,000
Aggregate	2,000,000	1,000
Umbrella liability:		
Each occurrence	5,000,000	5,000
Aggregate	5,000,000	5,000
Fleet:		
Liability	1,000,000	0
Uninsured Motorist	1,000,000	0
Medical Pay	5,000	0
Comprehensive	-	250
Collision	-	500
Building and contents	56,213,000	5,000
Employee benefits:		
Each occurrence	1,000,000	1,000
Aggregate	3,000,000	1,000
Error and Omissions:		
Each occurrence	1,000,000	2,500
Aggregate	1,000,000	2,500

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

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. Workers' Compensation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - RISK MANAGEMENT - (Continued)

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

D. Employee Group Medical, Dental and Vision Insurance

Medical, vision, dental and prescription insurance were offered to employees through a self-insurance internal service fund through December 31, 2007. The District was a member of a claims services pool, consisting of several Districts within the Eastern Region, in which monthly premiums were paid to the fiscal agent who in turn pays the claims on the District's behalf. The District entered into a contract under a fully insured plan with Medical Mutual of Ohio on January 1, 2008. Medical Mutual agreed with the Group to provide to all eligible Covered Persons, the Covered Services described in the certificates, schedules of benefits, riders and amendments listed in the contract.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$216,550, \$241,022 and \$229,162, respectively; 46.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$957,386, \$1,048,713, and \$1,082,799, respectively; 85.90 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,986 made by the District and \$17,157 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$146,852, \$126,692, and \$126,178, respectively; 46.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$15,603, \$16,390, and \$18,239, respectively; 46.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$73,645, \$80,670, and \$83,292, respectively; 85.90 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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	\$ (345,568)
Net adjustment for revenue accruals	(470,200)
Net adjustment for expenditure accruals	(394,190)
Net adjustment for other sources/uses	567,081
Adjustment for encumbrances	<u>110,277</u>
GAAP basis	<u>\$ (532,600)</u>

NOTE 17 - 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.

NOTE 18 - STATUTORY RESERVES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 18 - STATUTORY RESERVES - (Continued)

During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2008	\$ 84,487	\$ (134,805)
Current year set-aside requirement	-	-
Qualifying disbursements	<u>(371,792)</u>	<u>-</u>
Total	<u>\$ (287,305)</u>	<u>\$ (134,805)</u>
Balance carried forward to FY 2009	<u>\$ -</u>	<u>\$ (134,805)</u>

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

A schedule of the restricted assets at June 30, 2008 follows:

Amounts restricted for school bus purchases	\$ 14,911
Amount to limit restricted assets to available cash	<u>(14,911)</u>
Total restricted assets	<u>\$ -</u>

NOTE 19 - FISCAL WATCH

Auditor of State Mary Taylor released the District from “fiscal watch” on April 2, 2009. The District successfully eliminated the circumstances that placed them in fiscal watch and District officials no longer project future deficits through fiscal year 2011.

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	03-PU-02	10.550		\$52,853		\$52,853
Nutrition Cluster: National School Breakfast Program	05-PU-08	10.553	\$152,384		\$152,384	
National School Lunch Program	04-PU-08	10.555	351,552		351,552	
Special Milk Program	02-PU-08	10.556	2,097		2,097	
Total Nutrition Cluster			506,033		506,033	
Total U.S. Department of Agriculture			506,033	52,853	506,033	52,853
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-07 6B-SF-08	84.027	36,413 515,427		98,492 512,459	
Total Special Education Grants to States			551,840		610,951	
Special Education - Preschool Grants	PG-S1-07 PG-S1-08	84.173	18,016		7,484 17,651	
Total Special Education - Preschool Grants			18,016		25,135	
Total Special Education Cluster			569,856		636,086	
Title II A - Improving Teacher Quality	TRS1-2007 TRS1-2008	84.367	8,820 155,798		17,640 148,673	
Total Title II A - Improving Teacher Quality			164,618		166,313	
Title IID Education Technology State Grants	TJ-SI-2008	84.318	6,176		6,176	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-07 C1-S1-08	84.010	45,339 510,585		73,676 508,255	
Total Grants to Local Educational Agencies (ESEA Title I)			555,924		581,931	
State Grants for Innovative Program	C2-S1-08	84.298	5,597		3,186	
Safe and Drug-Free Schools Grants to States	DR-S1-08	84.186	11,420		11,420	
Total U.S. Department of Education			1,313,591		1,405,112	
<u>CORPORATION FOR NATIONAL & COMMUNITY SERVICE</u>						
<i>Passed through the Ohio Department of Education</i>						
Learn & Serve America -School and Community Based Services	SV-SI-08	94.004	14,000		12,504	
Total Corporation for National & Community Service			14,000		12,504	
Total Federal Awards			\$1,833,624	\$52,853	\$1,923,649	\$52,853

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2008**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. CHILD NUTRITION CLUSTER

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

C. 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. At June 30, 2008, the District had no significant food commodities in inventory.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Jefferson County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider findings 2008-005 and 2008-006 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Edison Local School District
Jefferson County
Independent Accountants' Report on Internal Control
Over Financial reporting and on Compliance and Other
Matters Required by *Government Auditing Standards*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated April 8, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2008-001 through 2008-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we have reported to the Districts management in a separate letter dated April 8, 2009.

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

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



Mary Taylor, CPA
Auditor of State

April 8, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Edison Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Edison Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

In a separate letter to the District's management dated April 8, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

Edison Local School District
Jefferson County
Independent Accountants' Report on Compliance with
Requirements Applicable to Each Federal Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 8, 2009.

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



Mary Taylor, CPA
Auditor of State

April 8, 2009

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY
JUNE 30, 2008**

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

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)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(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):	Special Education Cluster CFDA# 84.027 &84.173 Title I CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2008-001

Finding for Recovery

The negotiated agreement between the Edison Local Board of Education and the Edison Local Education Association, Article IV, Section B states that extended time should be paid as follows: "The first month (20 days) of extended time shall be paid at the rate of regular pay based on the salary schedule. Additional extended days shall be paid on a per diem based on the salary index base." Charles Cline, teacher, was overcompensated for 45 days extended time as follows:

Amount due per contract		
Twenty days of extended contract	\$253.63	Daily rate
	<u>20.00</u>	Number of days
	\$5,092.60	
Twenty-five days of extended contract	\$132.34	Daily rate
	<u>25.00</u>	Number of days
	\$3,308.50	
Total amount due	\$8,401.10	Forty five days as shown above
Total amount paid	<u>\$10,541.04</u>	
Overpayment	<u>\$ 2,139.94</u>	

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Charles Cline, Teacher, in the amount of \$2,139.94, and in favor of the General Fund of Edison Local School District.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditures is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 1980 Op. Att’y Gen. No. 80-074, Ohio Rev. Code Section 9.39, *State ex. Rel. Village of Linndale v. Mastern* (1985), 18-Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Att’y Gen. No-80-074.24.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money is hereby issued against Dennis Menoski, Treasurer, and his bonding company, the Cincinnati Insurance Company, jointly and severally in the amount of \$2,139.94 and in favor of the General Fund of Edison Local School District to the extent that recovery is not obtained from Charles Cline.

Officials’ Response

The District concurs that an overpayment of \$2,139.94 was made to Charles Cline for extended time. The issue has been discussed with Mr. Cline and a repayment schedule has been developed. The repayment schedule will being in FY 2010. This is a unique part of the negotiated contract in that individuals who work more than twenty days get less than their normal daily rate for days worked over twenty.

FINDING NUMBER 2008-002

Finding for Recovery

The salary and fringe benefit agreement between the Edison Local Board of Education and the administrative staff, Article XIX, states that the salary for the Technology Coordinator will be at a daily rate of \$165 (\$1,650 per two week pay period), and include a 2% cost of living adjustment annually. The cost of living adjustment was paid incorrectly for 15 pays starting in December 2007. Ron Peach, Technology Coordinator, was overcompensated as follows:

Amount due per agreement	
Pay period base amount	\$1,650.00
Plus 2% cost of living increase	<u>33.00</u>
Total amount due per pay period	\$1,683.00

Total amount due	\$1,683.00 x 15 pay periods	\$25,245.00
Total amount paid	\$1,793.00 x 15 pay periods	<u>\$26,895.00</u>

Overpayment \$ 1,650.00

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Ron Peach, Technology Coordinator in the amount of \$1,650, and in favor of the General Fund of Edison Local School District.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditures is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47, 1980 Op. Att’y Gen. No. 80-074, Ohio Rev. Code Section 9.39, *State ex. Rel. Village of Linndale v. Mastern* (1985), 18-Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Att’y Gen. No-80-074.24.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money is hereby issued against Dennis Menoski, Treasurer, and his bonding company, the Cincinnati Insurance Company, jointly and severally in the amount of \$1,650 and in favor of the General Fund of Edison Local School District to the extent that recovery is not obtained from Ron Peach.

Officials’ Response

The District concurs that Ron Peach was overpaid \$1,650. For his duties as technology coordinator. The issue has been discussed with Mr. Peach and a repayment plan will take place in FY 2010. This is another exception to the rule where Mr. Peach started nine days into a contract year then received a pay adjustment in January.

FINDING NUMBER 2008-003

Finding for Recovery Repaid Under Audit

The negotiated agreement between the Edison Local Board of Education and the Edison Local Education Association, Article IV. Section F states the following regarding severance pay: “A teacher may convert twenty-five percent (25%) of all of his / her accumulated sick leave to severance pay upon retirement from active service with the Board up to 285 days”. Thomas Call, Teacher, was overcompensated as follows:

Amount due per contract		
Maximum days allowed per contract	71.25	285 days x 25%
	<u>\$ 276.27</u>	Daily rate
Total amount due	\$19,684.24	
Maximum days used to calculate severance	72.50	290 days x 25%
	<u>\$ 276.27</u>	Daily rate
Total amount paid	\$20,029.58	
Overpayment	<u>\$ 345.34</u>	

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for the amount of \$345.34 and in favor of the General Fund of Edison Local School District. This amount has been paid by Thomas Call to the General Fund of Edison Local School District.

Officials' Response

The District concurs that Thomas Call was overpaid by \$345.34 in severance pay. Me. Call repaid the money and it was deposited into the General Fund.

FINDING NUMBER 2008-004

Ohio Revised Code Section 5705.10(h) provides that money paid into any fund shall be used for the purpose for which it was established. At June 30, 2008, the General Fund had a deficit balance of \$224,306.

This deficit balance indicates that money from another fund(s) has been used to pay the obligations of the General Fund. The District should review the deficit balance and formulate plans for the elimination of the deficit.

Officials' Response

We did not receive a response from the officials for this finding.

FINDING NUMBER 2008-005

Noncompliance Citation/Significant Deficiency

Ohio Administrative Code Section 117-2-02(B)(1) requires the government to maintain accounting records sufficient to reasonably assure accountability for all the transactions. Accurate monthly bank reconciliations were not prepared, and the District was out of balance for the months of July 2007 through May 2008. Monthly unexplained variances ranged from \$208 in May 2008 to \$3,400 in October 2007.

Failure to maintain accurate monthly reconciliations increases the risk of discrepancies and errors going undetected. This also prohibits the District, which is in fiscal watch, from obtaining accurate cash balances at a given date.

The District Treasurer should investigate and document all discrepancies and errors when preparing the monthly reconciliation. Any adjustments should be made at that time. The Treasurer and the Board should carefully review the weaknesses in the cash reconciliation process and develop internal controls, which will support the integrity of the District's financial records and reports. A review process should be implemented whereby the District Treasurer and/or the Board review ledgers, monthly financial statements and the monthly reconciliations, as well as the support for the monthly cash reconciliations and reconciling items, and documenting the reviews.

Improving the cash reconciliation procedures will strengthen control over the District's assets, reduce the risk of errors going undetected and provide accurate financial records at a given date.

Officials' Response

The District underwent a change in the Treasurer's office in April 2007. At that time the monthly reconciliation did not balance. The new treasurer, new secretary to the treasurer, and the new assistant to the treasurer began to catch up the work and started to work on reconciliation. The Auditor of State began their audit of FY 2007 in November and during the period of that audit determined that an adjustment needed to be made. This Finding was the also the result of the district being in fiscal watch and has been addressed in FY 2009. The District was able to balance all accounts for June 30, 2008, and have reconciled every month to the current date. This is an issue that will not occur again.

FINDING NUMBER 2008-006

Significant Deficiency

The District did not accurately post to the accounting records the amounts of appropriations as approved by the Board of Education or the amounts of estimated revenue as certified by the budget commission. In May 2008, the Board of Education had approved amended appropriations, which totaled \$30,915,168; however, total appropriations of \$28,306,410 were recorded in the appropriation ledger. The variance between the approved amount and the recorded amount was \$2,608,758. The Budget Commission certified total estimated resources at \$31,093,407 and the District's ledgers reflected \$31,035,858, a variance of \$57,549.

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

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

Officials' Response

The District's amended certificate listed estimated revenue at \$31,093,407 and the revenue ledger listed \$31,035,858. This is \$57,549 and not a material amount. I believe this part should be removed from the audit report as the records of the District showed less than the amended certificate and would not have had an adverse affect on the district financial reports. The amended appropriation was approved at \$30,915,168 and the ledger \$28,306,410. Again the ledger showed less than the approved amount, therefore, no adverse affect would have occurred. The District was already in fiscal watch and had an estimated deficit. This is a finding anticipated not to occur again.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None	
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**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC Section 5705.10, deficit balance in General Fund	No	Re-issued as Finding 2008-004
2007-002	Ohio Administrative Code 117-2-02(C)(1), failure to accurately post appropriations and estimated resources	No	Re-issued as Finding 2008-001
2007-003	Ohio Administrative Code 117-2-02 (B) (1), reconciliation process did not reflect accurate fund balances	No	Re-issued as Finding 2008-002



Mary Taylor, CPA
Auditor of State

EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 18, 2009