



Dave Yost • Auditor of State



**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Edison Local School District  
Jefferson County  
PO Box 158  
Hammondsville, Ohio 43930

To the Board of Education:

### ***Report on the Financial Statements***

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Government's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Jefferson County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Districts, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 7, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 2014. 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 fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$545,028, which represents a 14.53% increase from 2013.
- General revenues accounted for \$16,235,663 in revenue, or 80.59% of all revenues. Program specific revenues, in the form of charges for services and sales and operating grants and contributions accounted for \$3,910,141 or 19.41% of total revenues of \$20,145,804.
- The District had \$19,600,776 in expenses related to governmental activities; program-specific charges for services, grants and contributions offset only \$3,910,141 of these expenses. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,235,663 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$18,142,068 in revenues and other financing sources and \$17,658,923 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$483,145 from \$639,753 to a balance of \$1,122,898.

**Using the Basic Financial Statements**

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position 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 considers all financial transactions and asks the question "How did the District perform financially during 2014?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid. These two statements report the District's net position and changes in net position during the year. This change in net position 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 position 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 position and statement of activities can be found on pages 15 - 16 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 11. 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 to 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 position 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 17 - 21 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 position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets of fiduciary activities 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, 2014  
(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 - 50 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	Governmental Activities 2014	Governmental Activities 2013
<b><u>Assets</u></b>		
Current and other assets	\$ 11,531,608	\$ 10,630,916
Capital assets, net	<u>3,681,404</u>	<u>3,487,927</u>
Total assets	<u>15,213,012</u>	<u>14,118,843</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,814,721	1,795,090
Long-term liabilities	<u>1,424,287</u>	<u>1,402,800</u>
Total liabilities	<u>3,239,008</u>	<u>3,197,890</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>7,678,789</u>	<u>7,170,766</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	3,422,493	3,388,142
Restricted	312,354	202,511
Unrestricted	<u>560,368</u>	<u>159,534</u>
Total net position	<u>\$ 4,295,215</u>	<u>\$ 3,750,187</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$4,295,215.

At year-end, capital assets represented 24.20% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. The District's net investment in capital assets at June 30, 2014, was \$3,422,493. These capital assets are used to provide services to students and are not available for future spending. Although the District's net 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.

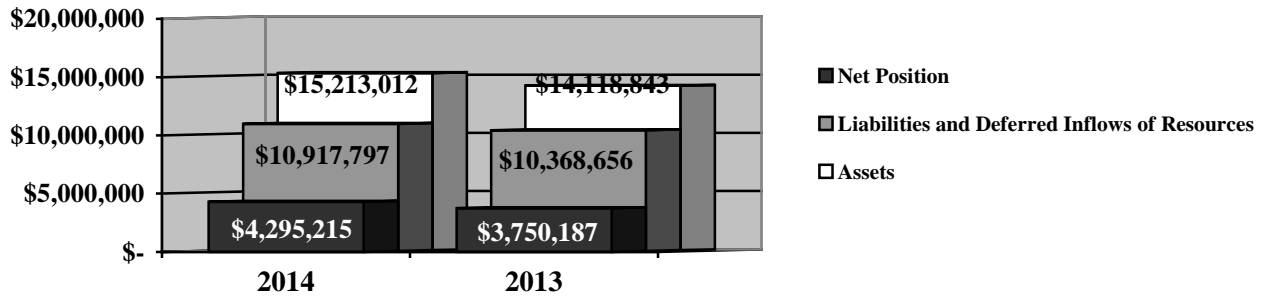
A portion of the District's net position, \$312,354, represents resources that are subject to external restrictions as to their use. The remaining balance of unrestricted net position of \$560,368 may be used to meet the District's ongoing obligations to students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The graph below illustrates the assets, liabilities and deferred inflows of resources, and net position of the District's governmental activities at June 30, 2014 and 2013:

**Governmental Activities**



**Governmental Activities**

The net position of the District's governmental activities increased \$545,028 during fiscal year 2014. Total governmental expenses of \$19,600,776 were offset by program revenues of \$3,910,141, and general revenues of \$16,235,663. Program revenues supported 19.95% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants. These revenue sources represent 80.35% of total governmental revenue. During fiscal year 2014 overall revenue decreased from fiscal year 2013 for several reasons. First of all, in fiscal year 2013, the District entered into an oil and gas lease of the District's land. The lease resulted in a bonus payment of \$435,297 in fiscal year 2013. No royalties from this lease were received in fiscal year 2014. Also, the District received less in open enrollment tuition payments in fiscal year 2014 when compared to fiscal year 2013.

Expenses of the governmental activities decreased \$321,182 as a result of a reduction in staffing, consolidation of District operations, including the closure of Pleasant Hill Elementary School, and other cost savings measures implemented by the District for fiscal year 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The table below shows the change in net position for fiscal years 2014 and 2013.

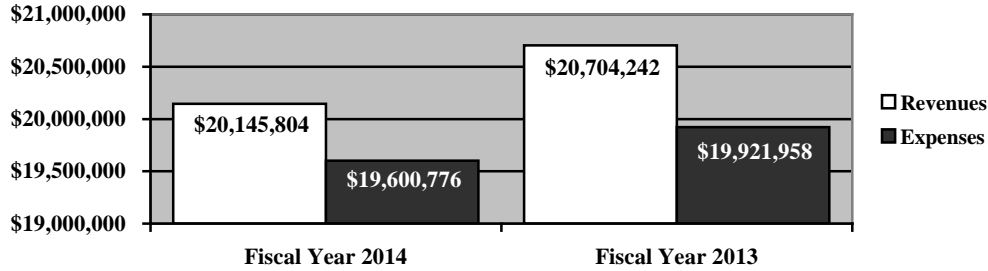
	<b>Change in Net Position</b>	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,031,987	\$ 1,248,955
Operating grants and contributions	2,878,154	2,678,857
General revenues:		
Property taxes	7,701,132	7,974,760
Grants and entitlements	8,485,494	8,291,107
Revenue from oil and gas lease	-	435,297
Contributions and donations	-	9,355
Investment earnings	100	250
Other	48,937	65,661
Total revenues	<u>20,145,804</u>	<u>20,704,242</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	6,999,050	6,954,290
Special	1,672,993	1,565,570
Vocational	124,957	126,592
Adult education	3,000	3,500
Other	3,703,862	2,834,338
Support services:		
Pupil	477,666	630,771
Instructional staff	843,883	1,124,544
Board of education	151,233	153,817
Administration	1,294,555	1,359,729
Fiscal	451,243	540,028
Business	69,634	17,672
Operations and maintenance	896,115	1,457,219
Pupil transportation	1,621,298	1,625,443
Central	188,914	227,900
Operation of non-instructional services:		
Food service operations	718,202	911,840
Other non-instructional services	56,575	63,243
Extracurricular activities	314,060	315,539
Interest and fiscal charges	13,536	9,923
Total expenses	<u>19,600,776</u>	<u>19,921,958</u>
Change in net position	545,028	782,284
Net position at beginning of year	<u>3,750,187</u>	<u>2,967,903</u>
Net position at end of year	<u>\$ 4,295,215</u>	<u>\$ 3,750,187</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The graph below illustrates governmental activities revenue and expenses for fiscal years 2014 and 2013.

**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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,999,050	\$ 6,027,987	\$ 6,954,290	\$ 5,955,791
Special	1,672,993	616,128	1,565,570	716,909
Vocational	124,957	99,608	126,592	73,967
Adult education	3,000	(1,000)	3,500	(497)
Other	3,703,862	3,703,862	2,834,338	2,834,338
Support services:				
Pupil	477,666	363,321	630,771	468,493
Instructional staff	843,883	163,627	1,124,544	439,819
Board of education	151,233	151,233	153,817	153,817
Administration	1,294,555	1,210,523	1,359,729	1,285,445
Fiscal	451,243	451,243	540,028	540,028
Business	69,634	69,634	17,672	17,672
Operations and maintenance	896,115	895,755	1,457,219	1,457,014
Pupil transportation	1,621,298	1,542,227	1,625,443	1,608,651
Central	188,914	183,514	227,900	220,700
Operation of non-instructional services:				
Food service operations	718,202	31,952	911,840	34,290
Other non-instructional services	56,575	56,575	63,243	62,960
Extracurricular activities	314,060	110,910	315,539	114,826
Interest and fiscal charges	13,536	13,536	9,923	9,923
<b>Total expenses</b>	<u>\$ 19,600,776</u>	<u>\$ 15,690,635</u>	<u>\$ 19,921,958</u>	<u>\$ 15,994,146</u>

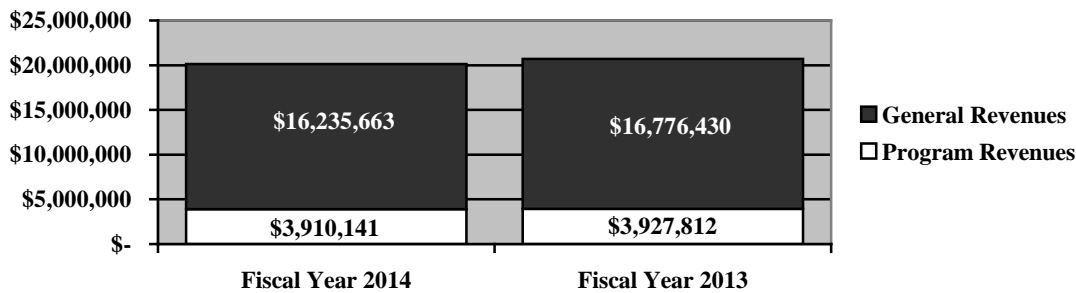
**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent as 83.55% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.05%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$1,429,274, which is \$545,613 greater than last year's balance of \$883,661. The schedule below indicates the fund balances and the total change in fund balances as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase
General	\$ 1,122,898	\$ 639,753	\$ 483,145
Other Governmental	306,376	243,908	62,468
<b>Total</b>	<b>\$ 1,429,274</b>	<b>\$ 883,661</b>	<b>\$ 545,613</b>

**General Fund**

The District's general fund balance increased \$483,145 during fiscal year 2014. Contributions and donations in the general fund decreased significantly during 2014 due to lower scheduled payments from FirstEnergy as part of its contribution agreement with the District. Tuition revenue decreased 15.67% due to lower receipts during the year for open enrollment. During fiscal year 2013, the District entered into an oil and gas lease which resulted in a onetime bonus payment of \$435,297. The District did not receive any royalties from the oil and gas lease in fiscal year 2014.

Instructional expenditures increased while support services expenditures decreased during fiscal year 2014. This was partly due to coding changes in how the District reports certain expenditures. Capital outlay increased in fiscal year 2014 due to the inception of a new capital lease agreement for copiers.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund.

	2014 Amount	2013 Amount	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 7,737,149	\$ 7,804,949	\$ (67,800)	(0.87) %
Tuition	637,215	755,518	(118,303)	(15.66) %
Earnings on investments	100	250	(150)	(60.00) %
Intergovernmental	9,116,322	8,845,597	270,725	3.06 %
Revenue from oil and gas lease	-	435,297	(435,297)	(100.00) %
Contributions and donations	-	309,355	(309,355)	(100.00) %
Other revenues	454,236	195,443	258,793	132.41 %
Total	<u>\$ 17,945,022</u>	<u>\$ 18,346,409</u>	<u>\$ (401,387)</u>	(2.19) %
<b><u>Expenditures</u></b>				
Instruction	\$ 11,642,771	\$ 10,706,296	\$ 936,475	8.75 %
Support services	5,541,722	5,991,849	(450,127)	(7.51) %
Operation of non-instructional services	56,525	62,995	(6,470)	(10.27) %
Extracurricular activities	177,464	187,408	(9,944)	(5.31) %
Capital outlay	190,565	-	190,565	100.00 %
Debt service	49,876	54,156	(4,280)	(7.90) %
Total	<u>\$ 17,658,923</u>	<u>\$ 17,002,704</u>	<u>\$ 656,219</u>	3.86 %

***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 2014, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$17,822,279, which is \$3,346 less than original budgeted revenues of \$17,825,625. Actual revenues and other financing sources for fiscal year 2014 were \$17,969,041. This represents a \$146,762 increase over final budgeted revenues.

General fund final budgeted expenditures were \$18,211,683, which were greater than the original budgeted expenditures of \$18,164,683. Actual budget-basis expenditures for fiscal year 2014 totaled \$17,896,778 and were \$314,905 lower than in the final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$3,681,404 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. This entire amount is reported in the District's governmental activities.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The following table shows June 30, 2014 balances compared to June 30, 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 90,836	\$ 104,743
Construction in progress	181,735	-
Land improvements	293,128	328,313
Buildings and improvements	2,435,357	2,334,451
Furniture and equipment	358,157	286,281
Vehicles	314,575	423,861
Infrastructure	7,616	10,278
Total	\$ 3,681,404	\$ 3,487,927

Total additions to capital assets for fiscal year 2014 were \$825,017 and depreciation expense totaled \$327,694. During 2014, the District disposed of capital assets with a total net book value of \$303,846.

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

**Debt Administration**

The district's outstanding long-term obligations consist of a capital lease obligation with outstanding principal amounting to \$173,722; of this principal balance, \$34,157 is due within one year.

The following table summarizes the District's lease outstanding at June 30, 2014 and June 30, 2013:

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2014	2013
Capital lease obligations	\$ 173,722	\$ 99,785

At June 30, 2014, the District's overall legal debt margin was \$30,524,892 and its unvoted debt margin was \$339,163.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Current Financial Related Activities**

On April 2, 2009 the Auditor of the State determined that the District had met the Guidelines for Release from Fiscal Watch, as published by the Auditor of State and the Ohio Department of Education, and removed the District from Fiscal Watch. The District entered into a contract January 1, 2008 with Medical Mutual of Ohio to provide a fully-insured insurance program. Medical Mutual agreed to provide to all eligible covered persons the covered services described in the certificates, schedules of benefits, riders, and amendments listed in the contract. The District believes this is the first step in reducing health care costs. Also, the District placed a 2.75 mil levy on the November 2008 ballot for a five year period that failed to gain the support of the community. The levy would have generated approximately \$924,000 annually. The District passed an emergency levy renewal on November 3, 2009 for five years for 2.0 mils; this levy generates \$1,049,900 annually and is critical to the financial stability of the District. Tax collections related to this levy will end on December 31, 2014 if the levy is not renewed. To avoid projected deficits in future years, the District placed a 9.45 mil operating levy on the November 8, 2011, March 6, 2012, November 7, 2012, and February 5, 2013 ballots, none of which voters approved. A 5.9 mill operating levy failed on the November 5, 2013 ballot. The District passed a 5.9 mill five year operating levy on February 4, 2014 and will seek voter approval to renew the 2 mill emergency levy that will expire on December 31, 2014. Additional millage is required due to a valuation loss of \$24 million from First Energy Generation, which equates to nearly \$700,000 per year in lost revenue, HB 153 and a loss of \$948,813 from State Stabilization and Education Jobs funding.

The District has reduced annual spending by approximately \$7.2 million over the last nine years. The teaching staff has been reduced from 181 teachers in 2004 to 97 teachers as the District enters fiscal year 2015, and non-teaching staff has been reduced from over 120 employees to 62 employees for fiscal year 2015. In addition to three elementary schools that the District closed in prior years, Springfield Junior High was closed following the 2012-2013 school year, which will reduce the District's expenses by \$1 million per year. Beginning in fiscal year 2014, the District will close Pleasant Hill Elementary and cut high school bus transportation. This, along with other reductions, will save the District approximately \$1.5 million in fiscal year 2014. Additionally, the District has implemented a budget reduction plan for fiscal year 2014. After passage of the 5.9 mill operating levy, the Board of Education reinstated high school transportation, eliminated pay to participate and other fees. If the emergency levy renewal levy passes, the District will remain solvent through fiscal year 2019. If it fails, the District will again face financial difficulties in fiscal year 2019.

The last challenge facing the District is the future of State funding. The State Foundation formula and the per pupil funding amount are subject to change every two years as the Governor and the General Assembly prepare the biennial budget for the State. The biennial budget passed by the General Assembly for fiscal years 2014 and 2015 include significant changes in the methodology for funding schools. Initial estimates indicate that the District will not receive any additional funds during the period.

House Bill 153 eliminated tangible personal property tax revenues for the District. Going forward, the District will experience reduced annual revenues of approximately \$110,000 from the public utility fixed rate reimbursement and \$359,504 from tangible personal property.

**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 please 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 POSITION  
JUNE 30, 2014

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . .	\$	2,215,299
Receivables:		
Property taxes . . . . .		8,619,376
Accounts. . . . .		137
Intergovernmental . . . . .		598,371
Prepayments . . . . .		73,931
Materials and supplies inventory. . . . .		24,494
Capital assets:		
Nondepreciable capital assets . . . . .		272,571
Depreciable capital assets, net. . . . .		3,408,833
Capital assets, net . . . . .		3,681,404
Total assets. . . . .		15,213,012
<b>Liabilities:</b>		
Accounts payable. . . . .		54,877
Contracts payable. . . . .		85,189
Accrued wages and benefits payable . . . . .		1,390,061
Pension obligation payable. . . . .		220,654
Intergovernmental payable . . . . .		63,940
Long-term liabilities:		
Due within one year. . . . .		238,687
Due in more than one year. . . . .		1,185,600
Total liabilities . . . . .		3,239,008
<b>Deferred inflows of resources:</b>		
Property taxes levied for the next fiscal year. . .		7,678,789
<b>Net position:</b>		
Net investment in capital assets . . . . .		3,422,493
Restricted for:		
Capital projects . . . . .		198,753
Debt service. . . . .		229
State funded programs. . . . .		6,197
Federally funded programs . . . . .		29,705
Student activities . . . . .		68,101
Other purposes . . . . .		9,369
Unrestricted . . . . .		560,368
Total net position. . . . .	\$	4,295,215

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, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 6,999,050	\$ 582,996	\$ 388,067	\$ (6,027,987)
Special . . . . .	1,672,993	92,759	964,106	(616,128)
Vocational . . . . .	124,957	-	25,349	(99,608)
Adult/continuing. . . . .	3,000	-	4,000	1,000
Other . . . . .	3,703,862	-	-	(3,703,862)
Support services:				
Pupil. . . . .	477,666	-	114,345	(363,321)
Instructional staff . . . . .	843,883	-	680,256	(163,627)
Board of education . . . . .	151,233	-	-	(151,233)
Administration. . . . .	1,294,555	26,403	57,629	(1,210,523)
Fiscal. . . . .	451,243	-	-	(451,243)
Business. . . . .	69,634	-	-	(69,634)
Operations and maintenance . . . . .	896,115	360	-	(895,755)
Pupil transportation. . . . .	1,621,298	17,150	61,921	(1,542,227)
Central . . . . .	188,914	-	5,400	(183,514)
Operation of non-instructional services:				
Food service operations . . . . .	718,202	139,419	546,831	(31,952)
Other non-instructional services . . . . .	56,575	-	-	(56,575)
Extracurricular activities. . . . .	314,060	172,900	30,250	(110,910)
Interest and fiscal charges . . . . .	13,536	-	-	(13,536)
<b>Total governmental activities . . . . .</b>	<b>\$ 19,600,776</b>	<b>\$ 1,031,987</b>	<b>\$ 2,878,154</b>	<b>(15,690,635)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				7,701,132
Grants and entitlements not restricted to specific programs . . . . .				8,485,494
Investment earnings . . . . .				100
Miscellaneous . . . . .				48,937
<b>Total general revenues . . . . .</b>				<b>16,235,663</b>
Change in net position . . . . .				545,028
<b>Net position at beginning of year . . . . .</b>				<b>3,750,187</b>
<b>Net position at end of year. . . . .</b>				<b>\$ 4,295,215</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . .	\$ 1,807,465	\$ 407,834	\$ 2,215,299
Receivables:			
Property taxes. . . . .	8,619,376	-	8,619,376
Accounts . . . . .	111	26	137
Intergovernmental. . . . .	140,567	457,804	598,371
Due from other funds . . . . .	221,634	-	221,634
Prepayments. . . . .	73,560	371	73,931
Materials and supplies inventory. . . . .	-	24,494	24,494
Total assets . . . . .	<u>\$ 10,862,713</u>	<u>\$ 890,529</u>	<u>\$ 11,753,242</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 48,134	\$ 6,743	\$ 54,877
Contracts payable. . . . .	85,189	-	85,189
Accrued wages and benefits payable . . . . .	1,221,166	168,895	1,390,061
Compensated absences payable . . . . .	29,809	-	29,809
Intergovernmental payable . . . . .	62,367	1,573	63,940
Pension obligation payable . . . . .	197,228	23,426	220,654
Due to other funds . . . . .	-	221,634	221,634
Total liabilities. . . . .	<u>1,643,893</u>	<u>422,271</u>	<u>2,066,164</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . .	7,678,789	-	7,678,789
Delinquent property tax revenue not available. . .	339,376	-	339,376
Other nonexchange transactions not available. . .	-	161,882	161,882
Miscellaneous revenue not available. . . . .	77,757	-	77,757
Total deferred inflows of resources . . . . .	<u>8,095,922</u>	<u>161,882</u>	<u>8,257,804</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	-	24,494	24,494
Prepays. . . . .	73,560	371	73,931
Restricted:			
Debt service . . . . .	-	229	229
Capital improvements . . . . .	-	198,753	198,753
Food service operations . . . . .	-	17,833	17,833
Extracurricular. . . . .	-	68,101	68,101
Other purposes. . . . .	-	6,096	6,096
Committed:			
Capital improvements . . . . .	-	76,825	76,825
Assigned:			
Student instruction . . . . .	33,638	-	33,638
Student and staff support. . . . .	277,070	-	277,070
Subsequent year's appropriations . . . . .	42,800	-	42,800
School supplies . . . . .	3,803	-	3,803
Unassigned (deficit). . . . .	692,027	(86,326)	605,701
Total fund balances . . . . .	<u>1,122,898</u>	<u>306,376</u>	<u>1,429,274</u>
Total liabilities, deferred inflows of resources and fund balances. . . . .	<u>\$ 10,862,713</u>	<u>\$ 890,529</u>	<u>\$ 11,753,242</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$	1,429,274
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,681,404
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	339,376	
Intergovernmental receivable		239,639	
Total		579,015	579,015
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(173,722)	
Compensated absences		(1,220,756)	
Total		(1,394,478)	(1,394,478)
<b>Net position of governmental activities</b>		\$	4,295,215

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, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 7,737,149	\$ -	\$ 7,737,149
Tuition . . . . .	637,215	-	637,215
Transportation fees . . . . .	17,150	-	17,150
Earnings on investments . . . . .	100	-	100
Charges for services . . . . .	-	138,893	138,893
Extracurricular . . . . .	26,403	81,770	108,173
Classroom materials and fees . . . . .	128,795	-	128,795
Other local revenues . . . . .	281,888	23,060	304,948
Intergovernmental - state . . . . .	9,116,322	481,818	9,598,140
Intergovernmental - federal . . . . .	-	1,673,532	1,673,532
Total revenues . . . . .	<u>17,945,022</u>	<u>2,399,073</u>	<u>20,344,095</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	6,522,807	366,232	6,889,039
Special . . . . .	1,292,436	366,574	1,659,010
Vocational . . . . .	123,666	-	123,666
Adult/continuing . . . . .	-	3,000	3,000
Other . . . . .	3,703,862	-	3,703,862
Support services:			
Pupil . . . . .	362,702	108,409	471,111
Instructional staff . . . . .	165,945	669,327	835,272
Board of education . . . . .	151,233	-	151,233
Administration . . . . .	1,270,972	56,679	1,327,651
Fiscal . . . . .	447,045	-	447,045
Business . . . . .	62,721	-	62,721
Operations and maintenance . . . . .	1,407,295	-	1,407,295
Pupil transportation . . . . .	1,487,999	53,032	1,541,031
Central . . . . .	185,810	4,673	190,483
Operation of non-instructional services:			
Food service operations . . . . .	-	726,722	726,722
Other non-instructional services . . . . .	56,525	50	56,575
Extracurricular activities . . . . .	177,464	109,582	287,046
Capital outlay . . . . .	190,565	-	190,565
Debt service:			
Principal retirement . . . . .	36,340	-	36,340
Interest and fiscal charges . . . . .	13,536	-	13,536
Total expenditures . . . . .	<u>17,658,923</u>	<u>2,464,280</u>	<u>20,123,203</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>286,099</u>	<u>(65,207)</u>	<u>220,892</u>
<b>Other financing sources:</b>			
Sale of capital assets . . . . .	6,481	122,200	128,681
Capital lease transaction . . . . .	190,565	-	190,565
Total other financing sources . . . . .	<u>197,046</u>	<u>122,200</u>	<u>319,246</u>
Net change in fund balances . . . . .	483,145	56,993	540,138
<b>Fund balances at beginning of year . . . . .</b>	<b>639,753</b>	<b>243,908</b>	<b>883,661</b>
<b>Increase in reserve for inventory . . . . .</b>	<b>-</b>	<b>5,475</b>	<b>5,475</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 1,122,898</u></b>	<b><u>\$ 306,376</u></b>	<b><u>\$ 1,429,274</u></b>

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, 2014

**Net change in fund balances - total governmental funds** \$ 540,138

*Amounts reported for governmental activities in the statement of activities are different because:*

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.

Capital asset additions	\$	825,017	
Current year depreciation		(327,694)	
<b>Total</b>		<b>497,323</b>	<b>497,323</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (303,846)

The net effect of trading in capital leases is to decrease long-term liabilities on the statement of net position. 80,288

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 5,475

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(36,017)	
Contributions and donations		(200,000)	
Intergovernmental		93,744	
<b>Total</b>		<b>(142,273)</b>	<b>(142,273)</b>

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 36,340

Capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. (190,565)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 22,148

**Change in net position of governmental activities** \$ 545,028

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 7,657,437	\$ 7,656,000	\$ 7,706,172	\$ 50,172
Tuition. . . . .	793,816	793,667	637,215	(156,452)
Transportation fees. . . . .	12,002	12,000	17,548	5,548
Earnings on investments . . . . .	500	500	100	(400)
Classroom materials and fees . . . . .	137,026	137,000	128,795	(8,205)
Other local revenues . . . . .	277,335	277,282	262,085	(15,197)
Intergovernmental - state . . . . .	8,851,491	8,849,830	9,116,323	266,493
Total revenues . . . . .	<u>17,729,607</u>	<u>17,726,279</u>	<u>17,868,238</u>	<u>141,959</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,025,706	7,047,706	6,620,077	427,629
Special. . . . .	1,353,500	1,353,500	1,328,508	24,992
Vocational. . . . .	132,726	132,726	130,155	2,571
Other. . . . .	2,820,400	2,820,400	3,712,128	(891,728)
Support services:				
Pupil. . . . .	574,600	574,600	398,245	176,355
Instructional staff . . . . .	458,528	458,528	219,712	238,816
Board of education . . . . .	209,757	209,757	161,495	48,262
Administration. . . . .	1,351,878	1,351,878	1,234,262	117,616
Fiscal . . . . .	585,000	585,000	490,299	94,701
Business . . . . .	111,315	111,315	64,149	47,166
Operations and maintenance. . . . .	1,487,419	1,512,419	1,607,573	(95,154)
Pupil transportation . . . . .	1,457,553	1,457,553	1,492,250	(34,697)
Central. . . . .	246,951	246,951	195,892	51,059
Other operation of non-instructional services . . . . .	61,000	61,000	58,159	2,841
Extracurricular activities. . . . .	198,350	198,350	183,874	14,476
Total expenditures . . . . .	<u>18,074,683</u>	<u>18,121,683</u>	<u>17,896,778</u>	<u>224,905</u>
Excess of expenditures over revenues. . . . .	<u>(345,076)</u>	<u>(395,404)</u>	<u>(28,540)</u>	<u>366,864</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	90,017	90,000	94,322	4,322
Transfers (out). . . . .	(60,000)	(60,000)	-	60,000
Advances (out) . . . . .	(30,000)	(30,000)	-	30,000
Sale of capital assets . . . . .	6,001	6,000	6,481	481
Total other financing sources (uses) . . . . .	<u>6,018</u>	<u>6,000</u>	<u>100,803</u>	<u>94,803</u>
Net change in fund balance . . . . .	(339,058)	(389,404)	72,263	461,667
<b>Fund balance at beginning of year . . . . .</b>	1,208,943	1,208,943	1,208,943	-
<b>Prior year encumbrances appropriated . . . . .</b>	302,683	302,683	302,683	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,172,568</u>	<u>\$ 1,122,222</u>	<u>\$ 1,583,889</u>	<u>\$ 461,667</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 101,103	\$ 35,891
Total assets. . . . .	101,103	\$ 35,891
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 208
Due to students. . . . .	-	35,683
Total liabilities . . . . .	-	\$ 35,891
<b>Net position:</b>		
Held in trust for scholarships . . . . .	101,103	
Total net position. . . . .	\$ 101,103	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 383
Gifts and contributions. . . . .	500
Total additions. . . . .	883
<b>Deductions:</b>	
Scholarships awarded . . . . .	1,000
Change in net position . . . . .	(117)
<b>Net position at beginning of year. . . . .</b>	101,220
<b>Net position at end of year . . . . .</b>	\$ 101,103

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 is staffed by 58 non-certified employees, 9 administrators, and 103 certified full-time teaching personnel who provide services to 1,566 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities 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 the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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, 2014

**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 47 member districts in 11 different Ohio counties. The member districts are comprised of public districts and county Educational Service Centers. 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, 2014, the District paid approximately \$60,729, 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, and is a jointly governed organization providing vocational services to its six member districts. The JVS is governed by a Board of Education comprised of 11 members appointed by the participating schools. The Board controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the District's continued participation and no measurable equity interest exists.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

*INSURANCE PURCHASING POOL*

Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials/Ohio School Boards Association (OASBO)/(OSBA) CompManagement, Inc. Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO/OSBA and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*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 proprietary funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

*FIDUCIARY FUNDS*

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

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

Government-wide Financial Statements - The statement of net position 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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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. 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

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



**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**D. Basis of Accounting**

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

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

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

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, grants, and student fees.

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the grant's timing requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 corresponding 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 2014 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 2014.
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, 2014

**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, 2014. 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 Cash Equivalents**

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 2014, investments were limited to nonnegotiable 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 2014 amounted to \$100, which includes \$20 assigned from other District 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 nonspendable fund balance in the governmental funds, indicating that it does not constitute available spendable resources even though it is a component of net current position.

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, 2014

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

**H. Capital Assets**

General capital assets are those related to governmental activities. 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 position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000. Improvements are capitalized, whereas 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:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 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 loans receivable/payable" and "due to/from other funds", respectively. These amounts are eliminated in the governmental activities column on the statement of net position. The District had no interfund loans receivable/payable at June 30, 2014.

**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, 2014

**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, 2014, 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, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absences 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.

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. Long-term obligations resulting from financing arrangements, such as capital leases, are recognized as a liability in the fund financial statements when due.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which include giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations and a special trust.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**N. 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 statement of net position and 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 period in which services are consumed.

**O. 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.

**P. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**Q. 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 2014, 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 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

Nonmajor governmental funds	Deficit
Public school preschool	\$ 31,646
IDEA Part-B	12,008
Title I, disadvantaged children	35,430
Improving teacher quality	6,871

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

**NOTE 4 - DEPOSITS**

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;



**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of 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. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$2,352,293. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,829,537 of the District's bank balance of \$2,429,537 was exposed to custodial risk as discussed below, while \$600,000 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.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

*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.

**B. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

The following is a reconciliation of cash and cash equivalents as reported in Note 4.A to cash and cash equivalents as reported on the statement of net position as of June 30, 2014:

<u>Cash and cash equivalents per footnote:</u>	
Carrying amount of deposits	\$ 2,352,293
Total	<u>\$ 2,352,293</u>
 <u>Cash and cash equivalents per statement of net position:</u>	
Governmental activities	\$ 2,215,299
Private-purpose trust fund	101,103
Agency fund	<u>35,891</u>
Total	<u>\$ 2,352,293</u>

**NOTE 5 - INTERFUND BALANCES**

Interfund balances at June 30, 2014, as reported on the fund financial statements, consist of the following amounts due to/due from other funds:

Amounts due to the general fund from:

Nonmajor governmental funds	<u>\$ 221,634</u>
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The primary purpose of the interfund balances is to cover negative cash in the nonmajor governmental funds. 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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Jefferson, Carroll and Harrison Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$601,211 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$570,234 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 234,308,820	69.31	\$ 236,427,340	69.71
Public utility personal	<u>103,741,279</u>	<u>30.69</u>	<u>102,735,577</u>	<u>30.29</u>
Total	<u>\$ 338,050,099</u>	<u>100.00</u>	<u>\$ 339,162,917</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 29.70		\$ 29.70	

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 consisted of taxes, accounts (billings for user charged services, student fees, and contractually committed contributions and donations) 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 position follows:

**Governmental activities:**

Property taxes	\$ 8,619,376
Accounts	137
Intergovernmental	<u>598,371</u>
Total	<u>\$ 9,217,884</u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 104,743	\$ -	\$ (13,907)	\$ 90,836
Construction in progress	<u>-</u>	<u>181,735</u>	<u>-</u>	<u>181,735</u>
Total capital assets, not being depreciated	<u>104,743</u>	<u>181,735</u>	<u>(13,907)</u>	<u>272,571</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	803,293	12,995	(26,066)	790,222
Buildings and improvements	6,248,256	362,479	(557,529)	6,053,206
Furniture and equipment	771,558	227,108	(245,876)	752,790
Vehicles	1,968,692	40,700	-	2,009,392
Infrastructure	<u>77,599</u>	<u>-</u>	<u>(14,722)</u>	<u>62,877</u>
Total capital assets, being depreciated	<u>9,869,398</u>	<u>643,282</u>	<u>(844,193)</u>	<u>9,668,487</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(474,980)	(27,259)	5,145	(497,094)
Buildings and improvements	(3,913,805)	(105,563)	401,519	(3,617,849)
Furniture and equipment	(485,277)	(43,900)	134,544	(394,633)
Vehicles	(1,544,831)	(149,986)	-	(1,694,817)
Infrastructure	<u>(67,321)</u>	<u>(986)</u>	<u>13,046</u>	<u>(55,261)</u>
Total accumulated depreciation	<u>(6,486,214)</u>	<u>(327,694)</u>	<u>554,254</u>	<u>(6,259,654)</u>
Governmental activities capital assets, net	<u>\$ 3,487,927</u>	<u>\$ 497,323</u>	<u>\$ (303,846)</u>	<u>\$ 3,681,404</u>

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 58,186
Special	8,040
Vocational	644
<u>Support services:</u>	
Pupil	5,573
Instructional staff	9,977
Administration	3,651
Operations and maintenance	45,079
Pupil transportation	159,340
Extracurricular activities	27,014
Food service operations	<u>10,190</u>
Total depreciation expense	<u>\$ 327,694</u>

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

During fiscal years 2011 and 2014, the District entered into capitalized leases for copier equipment. During fiscal year 2014, the fiscal year 2011 capital lease equipment was traded in and a new agreement was signed for the fiscal year 2014 capital lease. 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.

Capital assets consisting of equipment have been capitalized in the amount of \$190,565. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2014 totaled \$36,340 paid by the general fund. Accumulated depreciation as of June 30, 2014 was \$19,057 leaving a current book value of \$171,509.

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, 2014.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 46,820
2016	46,820
2017	46,820
2018	46,820
2019	<u>19,508</u>
Total minimum lease payments	206,788
Less: amount representing interest	<u>(33,066)</u>
Total	<u>\$ 173,722</u>

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. The District's long-term obligations during fiscal year 2014 were as follows:

	Balance Outstanding			Balance Outstanding		Amounts Due in
	6/30/13	Additions	Reductions	6/30/14	One Year	
<b>Governmental activities:</b>						
Capital lease payable	\$ 99,785	\$ 190,565	\$ (116,628)	\$ 173,722	\$ 34,157	
Compensated absences	<u>1,303,015</u>	<u>235,187</u>	<u>(287,637)</u>	<u>1,250,565</u>	<u>204,530</u>	
Total long-term obligations, governmental activities	<u>\$ 1,402,800</u>	<u>\$ 425,752</u>	<u>\$ (404,265)</u>	<u>\$ 1,424,287</u>	<u>\$ 238,687</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, public school preschool, IDEA Part-B, Title I and improving teacher quality.

*Capital lease obligation:* Capital lease obligations will be paid from the general fund. See Note 9 for details.

**B. 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, 2014, are a voted debt margin of \$30,524,892 and an unvoted debt margin of \$339,163.

**NOTE 11 - REVENUE FROM OIL AND GAS LEASE**

During fiscal year 2013, the District entered into a lease agreement with a private company assigning the rights to oil, gas, and other minerals on or underlying the District's land. Bonus payments received by the District as consideration for entering into the lease agreement are reported as revenue from oil and gas lease at the inception of the lease, and royalty payments received for any oil, gas, or other minerals extracted from the District's property are reported when earned.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2014, the District has contracted with the following insurance companies to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Indiana Insurance Company		
General liability:		
Each occurrence	\$ 1,000,000	\$ 1,000
Aggregate	2,000,000	1,000
Umbrella liability:		
Each occurrence	5,000,000	5,000
Aggregate	5,000,000	5,000
Fleet:		
Liability	1,000,000	-
Uninsured motorist	1,000,000	-
Medical pay	500	-
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
Errors 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.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**C. Workers' Compensation**

For fiscal year 2014, the District participated in the OASBO/OSBA CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. 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 their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**D. Employee Group Medical, Dental and Prescription Insurance**

Medical, dental and prescription insurance were offered to employees through a fully-insured plan with Medical Mutual of Ohio. Medical Mutual of Ohio agreed to provide to all eligible Covered Persons, the Covered Services described in the certificates, schedules of benefits, riders and amendments listed in the contract.

The employee share of the monthly premium is \$55 for individuals, \$75 for individuals with one insured dependent and \$95 for family coverage. Employee share is determined per negotiated union contracts and cannot be raised, except through negotiated agreement. The medical plan, dental coverage and prescription drug card are administered by Medical Mutual of Ohio located in Cleveland, Ohio. The total monthly premium is \$963.68 for individuals, \$1,924 for individuals with one insured dependent and \$2,808.34 for family coverage. This premium includes both the employee portion as listed above and the District's contribution.

**NOTE 13 - 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, disability, survivor 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](http://www.ohsers.org), under "Employers/Audit Resources".



**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 14 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 and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$223,016, \$260,550 and \$276,900, respectively; 77.39 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$784,104, \$847,881 and \$941,356, respectively; 85.11 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$19,320 made by the District and \$15,180 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14- 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14- POSTEMPLOYMENT BENEFITS - (Continued)**

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 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$34,781, \$36,659 and \$56,300, respectively; 77.39 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$12,938, \$14,718 and \$16,352, respectively; 77.39 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

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 2014, 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, 2014, 2013 and 2012 were \$60,316, \$65,222 and \$72,412, respectively; 85.11 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 72,263
Net adjustment for revenue accruals	21,810
Net adjustment for expenditure accruals	(118,016)
Net adjustment for other financing sources	96243
Funds budgeted elsewhere	7,999
Adjustment for encumbrances	402,846
GAAP basis	\$ 483,145

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	305,162
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(354,882)
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (49,720)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 18 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 274,065
Nonmajor governmental funds	<u>189,091</u>
Total	<u>\$ 463,156</u>

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA No.	Receipts	Expenditures
<b>U.S. Department of Agriculture</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non Cash Assistance:				
National School Lunch Program (Food Distribution)		10.555	\$38,519	\$38,519
Cash Assistance:				
National School Lunch Program	04-PU-13	10.555	308,786	308,786
National School Breakfast Program	05-PU-13	10.553	187,337	187,336
Special Milk Program	02-PU-13	10.556	<u>1,450</u>	<u>1,450</u>
Cash Assistance Subtotal			<u>497,573</u>	<u>497,572</u>
Total Nutrition Cluster (Cash and Non-Cash)			536,092	536,091
<b>Total U.S. Department of Agriculture</b>			<u>\$536,092</u>	<u>\$536,091</u>
<b>U.S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-13 C1-S1-14	84.010	92,185 <u>392,954</u>	91,678 <u>420,815</u>
Total Title I - Grants to Local Educational Agencies			485,139	512,493
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-13 6B-SF-14 tba14	84.027	52,848 302,257 34,616	53,422 342,531 38,313
Special Education - Preschool Grant	PG-S1-13 PG-S1-14	84.173	406 <u>9,968</u>	- <u>9,968</u>
Total Special Education Cluster			400,095	444,234
Title II-A Improving Teacher Quality Program	TRS1-2013 TRS1-2014	84.367	14,881 <u>107,781</u>	15,041 <u>116,499</u>
Total Title II-A Improving Teacher Quality Program			122,662	131,540
Ohio Performance Assessment Pilot Grant	6910C-2013	84.395A	<u>45,626</u>	<u>45,626</u>
Total Ohio Performance Assessment Pilot Grant			45,626	45,626
<b>Total U.S. Department of Education</b>			<u>\$1,053,522</u>	<u>\$1,133,893</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<u>\$1,589,614</u>	<u>\$1,669,984</u>

*See the notes to the Federal Awards Receipts and Expenditures schedule.*

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURE SCHEDULE  
JUNE 30, 2014**

**A. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule, (the Schedule) reports the District's federal award programs receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**B. CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U. S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**C. FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.





# Dave Yost • Auditor of State

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

Edison Local School District  
Jefferson County  
PO Box 158  
Hammondsville, Ohio 43930

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 7, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Edison Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Edison Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Edison Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 7, 2015

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
June 30, 2014**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster CFDA # 10.555, 10.553, and 10.556
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3.FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • 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  
FEBRUARY 10, 2015**