



Dave Yost • Auditor of State

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	21
Statement of Fiduciary Net Position – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	23
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Receipts and Expenditures.....	51
Notes to the Schedule of Federal Awards Receipts and Expenditures	52
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	59

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Edison Local School District
Erie County
140 South Main Street
Milan, Ohio 44846-9770

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, Erie 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 District'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 District'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, Erie County, Ohio, as of June 30, 2014, and the respective changes in financial position 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*, 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 Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, 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 the 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 March 19, 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

March 19, 2015

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**EDISON LOCAL SCHOOL DISTRICT
ERIE 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 \$385,528, which represents a 5.32% increase from fiscal year 2013.
- General revenues accounted for \$13,976,179 in revenue or 82.22% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,022,293 in revenue or 17.78% of total revenues of \$16,998,472.
- The District had \$16,612,944 in expenses related to governmental activities; only \$3,022,293 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,976,179 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$14,910,132 in revenues and \$14,265,744 in expenditures. The general fund also had a decrease in nonspendable inventory in the amount of \$4,472. During fiscal year 2014, the general fund's fund balance increased \$639,916 from \$1,790,454 to \$2,430,370.
- The permanent improvement fund had \$674,095 in revenues and \$800,731 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$126,636 from \$1,991,314 to \$1,864,678.

Using the Basic Financial Statements (BFS)

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 and the permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**EDISON LOCAL SCHOOL DISTRICT
ERIE 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 looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2014?" The statement of net position and the 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 will take 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. 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 the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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 major governmental funds are the general fund and the permanent improvement fund.

Governmental Funds

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

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

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals and/or other governments or organizations. 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. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

The statement of net position provides the perspective of 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.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 14,169,748	\$ 11,538,832
Capital assets, net	<u>3,712,402</u>	<u>3,574,321</u>
Total assets	<u>17,882,150</u>	<u>15,113,153</u>
<u>Liabilities</u>		
Current liabilities	1,862,139	1,748,066
Long-term liabilities	<u>817,758</u>	<u>890,855</u>
Total liabilities	<u>2,679,897</u>	<u>2,638,921</u>
<u>Deferred Inflows of Resources</u>	<u>7,574,774</u>	<u>5,232,281</u>
<u>Net Position</u>		
Net investment in capital assets	3,652,044	3,461,069
Restricted	2,077,191	2,280,537
Unrestricted	<u>1,898,244</u>	<u>1,500,345</u>
Total net position	<u>\$ 7,627,479</u>	<u>\$ 7,241,951</u>

The District passed an emergency operating levy in May of 2013, resulting in increases to both property taxes receivable and deferred inflows of resources related to property taxes levied for the subsequent fiscal year.

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 \$7,627,479.

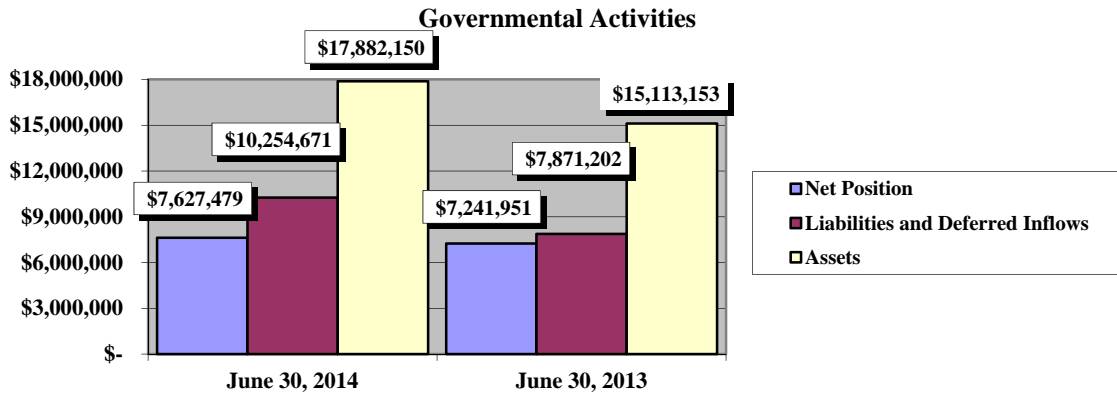
**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

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

At fiscal year end, capital assets represented 20.76% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2014 was \$3,652,044. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,077,191, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$1,898,244 may be used to meet the District's ongoing obligations to the students and creditors.

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



The table below shows the changes in net position for governmental activities for fiscal years 2014 and 2013.

Change in Net Position

	Governmental Activities 2014	Governmental Activities 2013
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,336,428	\$ 1,451,607
Operating grants and contributions	1,685,865	1,494,658
General revenues:		
Property taxes	6,911,399	6,231,412
Grants and entitlements	7,023,586	6,798,595
Investment earnings	5,724	10,631
Miscellaneous	35,470	38,076
Total revenues	16,998,472	16,024,979

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

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

	Change in Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	7,041,090	6,960,322
Special	2,180,171	2,427,942
Vocational	78,482	77,651
Other	976,209	989,920
Support services:		
Pupil	677,538	465,424
Instructional staff	384,592	739,215
Board of education	87,824	111,650
Administration	1,145,057	1,251,535
Fiscal	382,001	267,314
Operations and maintenance	1,182,906	1,149,847
Pupil transportation	940,102	1,033,445
Central	130,224	110,768
Operation of non-instructional services:		
Other non-instructional services	73,768	100,533
Food service operations	646,038	696,191
Extracurricular activities	684,180	809,539
Interest and fiscal charges	<u>2,762</u>	<u>4,144</u>
Total expenses	<u>16,612,944</u>	<u>17,195,440</u>
Change in net position	385,528	(1,170,461)
Net position at beginning of year	<u>7,241,951</u>	<u>8,412,412</u>
Net position at end of year	<u>\$ 7,627,479</u>	<u>\$ 7,241,951</u>

Governmental Activities

Net position of the District's governmental activities increased \$385,528. Total governmental expenses of \$16,612,944 were offset by program revenues of \$3,022,293 and general revenues of \$13,976,179. Program revenues supported 18.19% of the total governmental expenses.

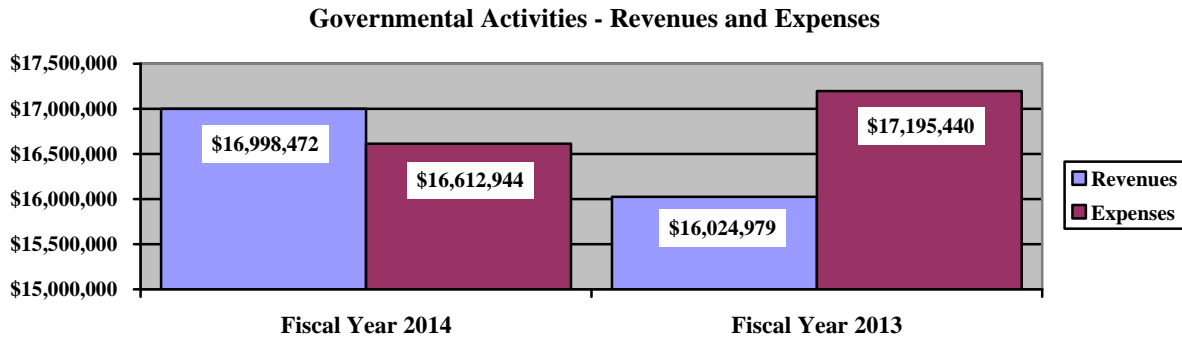
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 81.98% of the total governmental revenues. Property taxes and unrestricted grants and entitlements increased during fiscal year 2014 primarily due to an emergency operating levy passed by the District in May of 2013.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,275,952 or 61.86% of the total governmental expenses for fiscal year 2014.

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

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

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2014 and 2013.



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 for fiscal years 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues of the District.

	Governmental Activities			
	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses				
Instruction:				
Regular	\$ 7,041,090	\$ 6,253,281	\$ 6,960,322	\$ 6,243,804
Special	2,180,171	992,726	2,427,942	1,636,019
Vocational	78,482	71,469	77,651	65,755
Other	976,209	976,209	989,920	989,920
Support services:				
Pupil	677,538	672,280	465,424	461,952
Instructional staff	384,592	359,179	739,215	518,909
Board of education	87,824	87,824	111,650	111,650
Administration	1,145,057	1,088,106	1,251,535	1,203,159
Fiscal	382,001	382,001	267,314	267,314
Operations and maintenance	1,182,906	1,182,217	1,149,847	1,149,136
Pupil transportation	940,102	911,882	1,033,445	983,912
Central	130,224	124,221	110,768	107,454
Operation of non-instructional services:				
Other non-instructional services	73,768	7,690	100,533	21,591
Food service operations	646,038	65,466	696,191	52,802
Extracurricular activities	684,180	413,338	809,539	431,654
Interest and fiscal charges	<u>2,762</u>	<u>2,762</u>	<u>4,144</u>	<u>4,144</u>
Total expenses	<u>\$ 16,612,944</u>	<u>\$ 13,590,651</u>	<u>\$ 17,195,440</u>	<u>\$ 14,249,175</u>

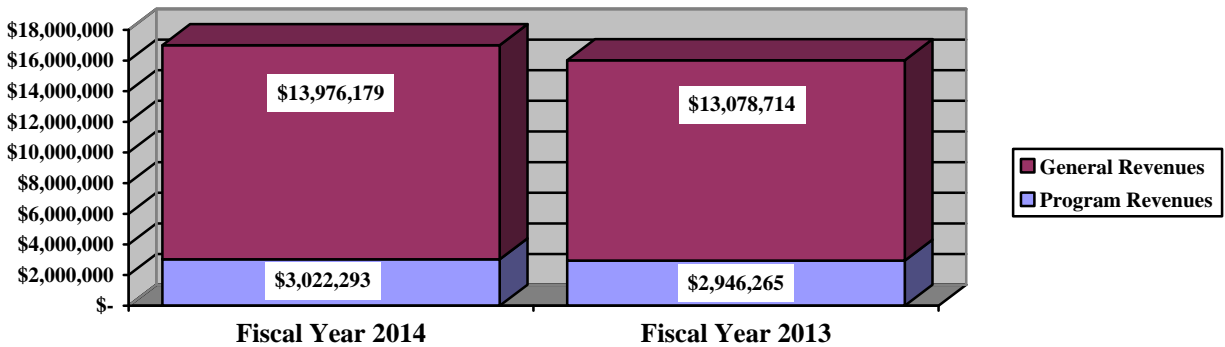
**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

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

The dependence upon taxes and other general revenues for governmental activities is apparent, as 80.71% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.81%. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

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

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,398,177, which is more than last year's total of \$3,929,710. The table below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase/ <u>(Decrease)</u>
General	\$ 2,430,370	\$ 1,790,454	\$ 639,916
Permanent improvement	1,864,678	1,991,314	(126,636)
Nonmajor governmental	<u>103,129</u>	<u>147,942</u>	<u>(44,813)</u>
Total	<u>\$ 4,398,177</u>	<u>\$ 3,929,710</u>	<u>\$ 468,467</u>

An analysis of the general fund revenues and expenditures is provided in the section below.

General Fund

The District's general fund balance increased \$639,916.

**EDISON LOCAL SCHOOL DISTRICT
ERIE 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 and fund balance of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,473,702	\$ 5,629,825	\$ 843,877	14.99 %
Tuition	734,273	672,927	61,346	9.12 %
Earnings on investments	6,035	12,662	(6,627)	(52.34) %
Intergovernmental	7,562,460	7,086,225	476,235	6.72 %
Other revenues	<u>133,662</u>	<u>246,605</u>	<u>(112,943)</u>	<u>(45.80) %</u>
Total	<u>\$ 14,910,132</u>	<u>\$ 13,648,244</u>	<u>\$ 1,261,888</u>	<u>9.25 %</u>
<u>Expenditures</u>				
Instruction	\$ 9,324,619	\$ 9,528,455	\$ (203,836)	(2.14) %
Support services	4,463,530	4,490,334	(26,804)	(0.60) %
Operation of non-instructional services	-	1,179	(1,179)	(100.00) %
Extracurricular activities	443,096	529,583	(86,487)	(16.33) %
Debt service	<u>34,499</u>	<u>34,498</u>	<u>1</u>	<u>0.00 %</u>
Total	<u>\$ 14,265,744</u>	<u>\$ 14,584,049</u>	<u>\$ (318,305)</u>	<u>(2.18) %</u>

Overall revenues of the general fund increased \$1,261,888 or 9.25%. Taxes increased \$843,877 or 14.99% and intergovernmental revenue increased \$476,235 or 6.72%. Both of these increases are primarily attributable to the District's passage of an emergency operating levy in May of 2013. Other revenues decreased \$112,943 or 45.80% mainly due to a reduction in revenue related to extracurricular activities. All other revenue classifications remained comparable to the prior fiscal year.

Overall expenditures of the general fund decreased \$318,305 or 2.18%. The decreases across the various expenditure classifications are an indication of the District's effort to reduce operating costs.

Permanent Improvement Fund

The District's permanent improvement fund had \$674,095 in revenues and \$800,731 in expenditures. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$126,636 from \$1,991,314 to \$1,864,678. This decrease is primarily attributable to an increase in facilities acquisition and construction expenditures incurred during fiscal year 2014.

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.

For the general fund, the original and final budgeted revenues and other financing sources were \$13,884,187. Actual revenues and other financing sources for fiscal year 2014 were \$14,907,369. This represents a \$1,023,182 increase over final budgeted amounts, which is mainly due to increases in actual revenues related to property taxes and intergovernmental sources.

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

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

General fund original appropriations (appropriated expenditures plus other financing uses) were \$14,505,813 and final appropriations (appropriated expenditures plus other financing uses) were \$14,828,500. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$14,478,855, which was \$349,645 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$3,712,402 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

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

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>
Land	\$ 398,287	\$ 238,449
Construction in progress	60,247	39,804
Land improvements	260,789	214,047
Buildings and improvements	1,762,204	1,828,873
Furniture and equipment	595,213	629,375
Vehicles	<u>635,662</u>	<u>623,773</u>
Total	<u>\$ 3,712,402</u>	<u>\$ 3,574,321</u>

Total additions to capital assets for fiscal year 2014 were \$492,587 (excluding changes in construction in progress). The District recorded \$350,882 in depreciation expense for fiscal year 2014 and \$24,067 in disposals, net of accumulated depreciation (excluding changes in construction in progress). The overall change in capital assets was an increase of \$138,081.

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

Debt Administration

At June 30, 2014, the District had \$41,711 in capital lease obligations outstanding. Of this total, \$33,182 is due within one year and \$8,529 is due in more than one year.

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

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

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

Current Financial Related Activities

The District continues to face the same financial challenges that are facing many school districts in Ohio. The goal of the Board and staff is to maximize student achievement and academic performance given the financial constraints, which limit the availability of funds used to promote these goals. The primary financial resources for the District remain the same; local property taxes, and State and federal support. The cost of funds is driven mainly by personnel costs used to promote student achievement.

The District boundaries are contained as part of two counties, Huron and Erie, with the majority of the property located in Erie County. The District's largest property tax classification is residential and agricultural real estate. The effective tax rate is above the 20 mill floor for this classification of property. The District has used emergency property tax levies in part to retain the 20 mill status for the potential revenue growth resulting from real estate reappraisals, which occur every three years.

However, like many areas of Ohio, the real estate market for most properties has dropped or at best remained stagnant. In the past, the District could anticipate a 10-15% increase in revenue from being at the 20 mill floor, but now the District has seen the effective rate rise slightly above the 20 mill floor with the potential real estate decline.

In May of 2013, the District passed a 7.9 mill emergency operating levy. The District had failed its last eight attempts to pass a levy, so the passage of this levy is a huge positive to the District's outlook for the future. On June 30, 2013, the Governor signed the State budget for the subsequent two fiscal years. The impact on the District resulting from the first year of the biennial State budget reflected an approximate 6.25% increase for fiscal year 2014, and an anticipated 10.5% increase for fiscal year 2015.

During fiscal year 2014, the District was able to finalize negotiations with the unions (ETA, OAPSE) for fiscal year 2015 and fiscal year 2016. There had been a two-year freeze on step increases. With the new agreements, in fiscal year 2015 the District gave one step for the current year and returned one step from the freeze, with the same scenario projected for fiscal year 2016. Both groups were also given a one-time payment of \$700 and \$300, respectively. There was no increase to the base salary.

The District continues to implement changes in operations to reduce expenditures whenever possible by reducing staff, altering the transportation routines, and being resilient with its collective bargaining agreements. The District is also continuing to look at options in relation to purchased services that could potentially save the District money. The Board will also explore new revenue sources, mainly from additional tax levy proposals, but also grant applications for safety and technology. The Board and staff remain focused on providing "Excellence in Education" for students while being fiscally responsible to the taxpayers.

Contacting the District's Financial Management

This financial report is designed to demonstrate the District's accountability for the money it receives and to provide a general overview of the District's finances to its community, creditors, and investors. For additional information about this report, please contact Mrs. Anne Arnold, Treasurer, Edison Local School District, 140 S. Main Street, Milan, Ohio 44846.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 5,157,453
Receivables:	
Property taxes	8,744,127
Accounts.	3,390
Accrued interest	676
Intergovernmental	215,501
Prepayments	21,372
Materials and supplies inventory.	27,229
Capital assets:	
Nondepreciable capital assets	458,534
Depreciable capital assets, net.	3,253,868
Capital assets, net	3,712,402
Total assets.	17,882,150
 Liabilities:	
Accounts payable.	92,416
Contracts payable.	17,235
Retainage payable	1,412
Accrued wages and benefits payable	1,410,310
Pension obligation payable.	237,218
Intergovernmental payable	103,548
Long-term liabilities:	
Due within one year.	130,402
Due in more than one year.	687,356
Total liabilities	2,679,897
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	7,574,774
 Net position:	
Net investment in capital assets	3,652,044
Restricted for:	
Capital projects	1,899,733
Locally funded programs	20,510
State funded programs.	12,169
Federally funded programs	5,331
Student activities	13,842
Other purposes	125,606
Unrestricted	1,898,244
Total net position.	\$ 7,627,479

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDISON LOCAL SCHOOL DISTRICT
ERIE 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	
Governmental activities:				
Instruction:				
Regular	\$ 7,041,090	\$ 748,467	\$ 39,342	\$ (6,253,281)
Special	2,180,171	42,970	1,144,475	(992,726)
Vocational	78,482	-	7,013	(71,469)
Other	976,209	-	-	(976,209)
Support services:				
Pupil	677,538	-	5,258	(672,280)
Instructional staff	384,592	-	25,413	(359,179)
Board of education	87,824	-	-	(87,824)
Administration	1,145,057	2,902	54,049	(1,088,106)
Fiscal	382,001	-	-	(382,001)
Operations and maintenance	1,182,906	689	-	(1,182,217)
Pupil transportation	940,102	-	28,220	(911,882)
Central	130,224	-	6,003	(124,221)
Operation of non-instructional services:				
Other non-instructional services	73,768	23,373	42,705	(7,690)
Food service operations	646,038	268,999	311,573	(65,466)
Extracurricular activities	684,180	249,028	21,814	(413,338)
Interest and fiscal charges	2,762	-	-	(2,762)
Total governmental activities	\$ 16,612,944	\$ 1,336,428	\$ 1,685,865	(13,590,651)
General revenues:				
Property taxes levied for:				
General purposes				6,382,198
Capital projects				529,201
Grants and entitlements not restricted to specific programs				7,023,586
Investment earnings				5,724
Miscellaneous				35,470
Total general revenues				13,976,179
Change in net position				385,528
Net position at beginning of year				7,241,951
Net position at end of year				\$ 7,627,479

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 3,074,671	\$ 1,821,892	\$ 260,890	\$ 5,157,453
Receivables:				
Property taxes.	8,070,156	673,971	-	8,744,127
Accounts	3,390	-	-	3,390
Accrued interest	676	-	-	676
Intergovernmental.	164,269	-	51,232	215,501
Interfund loans	1,915	-	-	1,915
Prepayments.	20,977	-	395	21,372
Materials and supplies inventory.	15,860	-	11,369	27,229
Total assets	<u>\$ 11,351,914</u>	<u>\$ 2,495,863</u>	<u>\$ 323,886</u>	<u>\$ 14,171,663</u>
Liabilities:				
Accounts payable	\$ 79,514	\$ 10,876	\$ 2,026	\$ 92,416
Contracts payable.	-	17,235	-	17,235
Retainage payable.	-	1,412	-	1,412
Accrued wages and benefits payable	1,281,081	-	129,229	1,410,310
Intergovernmental payable	96,204	-	7,344	103,548
Interfund loans payable.	-	-	1,915	1,915
Pension obligation payable	202,610	-	34,608	237,218
Total liabilities.	<u>1,659,409</u>	<u>29,523</u>	<u>175,122</u>	<u>1,864,054</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year. . .	6,989,520	585,254	-	7,574,774
Delinquent property tax revenue not available . .	202,805	16,408	-	219,213
Accrued interest not available	376	-	-	376
Intergovernmental revenue not available	69,434	-	45,635	115,069
Total deferred inflows of resources	<u>7,262,135</u>	<u>601,662</u>	<u>45,635</u>	<u>7,909,432</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	15,860	-	11,369	27,229
Prepays.	20,977	-	395	21,372
Unclaimed monies	2,942	-	-	2,942
Restricted:				
Capital improvements	-	1,864,678	-	1,864,678
Food service operations	-	-	131,137	131,137
Targeted academic assistance	-	-	1,307	1,307
Extracurricular.	-	-	13,447	13,447
Other purposes.	-	-	36,703	36,703
Assigned:				
Student instruction	74,800	-	-	74,800
Student and staff support.	275,227	-	-	275,227
Extracurricular.	674	-	-	674
Other purposes.	233	-	-	233
Unassigned (deficit)	2,039,657	-	(91,229)	1,948,428
Total fund balances	<u>2,430,370</u>	<u>1,864,678</u>	<u>103,129</u>	<u>4,398,177</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,351,914</u>	<u>\$ 2,495,863</u>	<u>\$ 323,886</u>	<u>\$ 14,171,663</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Total governmental fund balances		\$	4,398,177
<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.			3,712,402
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	219,213	
Accrued interest receivable		376	
Intergovernmental receivable		115,069	
Total		115,069	334,658
Long-term liabilities, including capital lease obligations payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(41,711)	
Compensated absences		(776,047)	
Total		(817,758)	(817,758)
Net position of governmental activities		\$	7,627,479

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDISON LOCAL SCHOOL DISTRICT
ERIE 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>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 6,473,702	\$ 542,776	\$ -	\$ 7,016,478
Tuition	734,273	-	45,883	780,156
Earnings on investments	6,035	-	67	6,102
Charges for services	-	-	268,999	268,999
Extracurricular	63,729	-	185,299	249,028
Classroom materials and fees	37,556	-	-	37,556
Rental income	689	-	-	689
Contributions and donations	-	-	21,814	21,814
Other local revenues	31,688	3,782	3,405	38,875
Intergovernmental - intermediate	-	-	14,409	14,409
Intergovernmental - state	7,428,517	127,537	91,365	7,647,419
Intergovernmental - federal	133,943	-	972,317	1,106,260
Total revenues	<u>14,910,132</u>	<u>674,095</u>	<u>1,603,558</u>	<u>17,187,785</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,686,489	161,808	30,925	6,879,222
Special	1,583,439	-	611,237	2,194,676
Vocational	78,482	-	-	78,482
Other	976,209	-	-	976,209
Support services:				
Pupil	665,252	-	1,231	666,483
Instructional staff	278,738	77,734	24,973	381,445
Board of education	87,824	-	-	87,824
Administration	1,058,652	-	63,051	1,121,703
Fiscal	359,897	12,697	-	372,594
Operations and maintenance	1,116,201	-	-	1,116,201
Pupil transportation	771,661	80,903	-	852,564
Central	125,305	-	4,678	129,983
Operation of non-instructional services:				
Other non-instructional services	-	-	73,768	73,768
Food service operations	-	-	632,215	632,215
Extracurricular activities	443,096	-	214,412	657,508
Facilities acquisition and construction	-	467,589	-	467,589
Debt service:				
Principal retirement	31,737	-	-	31,737
Interest and fiscal charges	2,762	-	-	2,762
Total expenditures	<u>14,265,744</u>	<u>800,731</u>	<u>1,656,490</u>	<u>16,722,965</u>
Net change in fund balances	644,388	(126,636)	(52,932)	464,820
Fund balances at beginning of year	1,790,454	1,991,314	147,942	3,929,710
Increase (decrease) in nonspendable inventory	(4,472)	-	8,119	3,647
Fund balances at end of year	<u>\$ 2,430,370</u>	<u>\$ 1,864,678</u>	<u>\$ 103,129</u>	<u>\$ 4,398,177</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDISON LOCAL SCHOOL DISTRICT
ERIE 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	\$	464,820
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 513,030	
Current year depreciation	(350,882)	
Total		162,148
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(24,067)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		3,647
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(105,079)	
Earnings on investments	(311)	
Intergovernmental	(106,339)	
Total		(211,729)
Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		31,737
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.		
Increase in compensated absences		(41,028)
Change in net position of governmental activities	\$	385,528

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDISON LOCAL SCHOOL DISTRICT
ERIE 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>		
Revenues:				
From local sources:				
Property taxes	\$ 6,352,049	\$ 6,352,049	\$ 6,608,919	\$ 256,870
Tuition	641,786	641,786	734,273	92,487
Earnings on investments	6,000	6,000	5,735	(265)
Extracurricular	-	-	30	30
Classroom materials and fees	39,100	39,100	37,013	(2,087)
Rental income	711	711	689	(22)
Contributions and donations	2,500	2,500	-	(2,500)
Other local revenues	15,400	15,400	28,278	12,878
Intergovernmental - state	6,770,711	6,770,711	7,333,682	562,971
Intergovernmental - federal	45,930	45,930	133,943	88,013
Total revenues	<u>13,874,187</u>	<u>13,874,187</u>	<u>14,882,562</u>	<u>1,008,375</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,688,227	6,837,111	6,679,518	157,593
Special	1,635,069	1,671,467	1,632,940	38,527
Vocational	79,720	81,494	79,616	1,878
Other	977,468	999,227	976,195	23,032
Support services:				
Pupil	685,464	700,723	684,572	16,151
Instructional staff	319,609	326,724	319,193	7,531
Board of education	114,750	117,305	114,601	2,704
Administration	1,085,497	1,109,661	1,084,084	25,577
Fiscal	367,452	375,632	366,974	8,658
Operations and maintenance	1,206,668	1,233,529	1,205,097	28,432
Pupil transportation	838,180	856,839	837,089	19,750
Central	125,894	128,696	125,730	2,966
Extracurricular activities	371,815	380,092	371,331	8,761
Total expenditures	<u>14,495,813</u>	<u>14,818,500</u>	<u>14,476,940</u>	<u>341,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(621,626)</u>	<u>(944,313)</u>	<u>405,622</u>	<u>1,349,935</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	24,807	24,807
Advances in	10,000	10,000	-	(10,000)
Advances (out)	(10,000)	(10,000)	(1,915)	8,085
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,892</u>	<u>22,892</u>
Net change in fund balance	(621,626)	(944,313)	428,514	1,372,827
Fund balance at beginning of year	1,963,904	1,963,904	1,963,904	-
Prior year encumbrances appropriated	230,959	230,959	230,959	-
Fund balance at end of year	<u>\$ 1,573,237</u>	<u>\$ 1,250,550</u>	<u>\$ 2,623,377</u>	<u>\$ 1,372,827</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 94,781	\$ 69,393
Prepayments	-	85
	<u>94,781</u>	<u>69,478</u>
Total assets.	<u>94,781</u>	<u>\$ 69,478</u>
Liabilities:		
Accounts payable.	\$ -	\$ 5,434
Due to students.	-	64,044
	<u>-</u>	<u>69,478</u>
Total liabilities	<u>-</u>	<u>\$ 69,478</u>
Net position:		
Held in trust for scholarships	<u>94,781</u>	
Total net position.	<u>\$ 94,781</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 188
Deductions:	
Scholarships awarded	801
Change in net position	(613)
Net position at beginning of year.	95,394
Net position at end of year	\$ 94,781

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**EDISON LOCAL SCHOOL DISTRICT
ERIE 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 located in Erie and Huron Counties and encompasses the Villages of Milan and Berlin Heights and portions of surrounding townships.

The District was established through the consolidation of existing land areas and school districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates one elementary school, one middle school, and one comprehensive high school. The District employs 86 non-certified and 102 certified employees to provide services to 1,643 students in preschool, grades K through 12, and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) 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
ERIE COUNTY, OHIO**

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of various school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the BACG are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of the BACG consists of the Superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the Superintendent of the fiscal agent, and two non-voting members (administrator and fiscal agent). Members of the Board of Directors serve staggered two-year terms. During the fiscal year, the District paid the BACG \$47,290 for services. Financial information can be obtained by contacting the North Point Educational Service Center, who serves as fiscal agent, at 1210 East Bogart Road, Sandusky, Ohio 44870.

EHOVE Career Center

The EHOVE Career Center ("EHOVE") is a vocational school district that is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs to its students. EHOVE accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

Northern Ohio Educational Computer Association (NOECA)

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, serving as a computer consortium. NOECA is an association of various public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the Chairman of each of the operating committees, and a representative from the fiscal agent. During the fiscal year, the District paid NOECA \$66,862 for services. Financial information can be obtained by contacting NOECA's fiscal agent, the North Point Educational Service Center, Matt Bauer, who serves as Controller, at 1210 East Bogart Road, Sandusky, Ohio 44870.

RELATED ORGANIZATION

Milan-Berlin Township Public Library

The Milan-Berlin Township Public Library (the "Library") is a distinct political subdivision of the State of Ohio governed by a Board of Trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. In November of 2005, the District passed a levy of 1.0 mill on behalf of the Library.

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

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

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group II Program (GRP)

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code.

The Ohio School Boards Association Workers' Compensation Group II Program (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three-member Board of Directors, consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (the "Association") is a public entity risk pool comprised of various school districts. The Association Assembly consists of a Superintendent or designated representative from each participating school district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, at 1210 East Bogart Road, Sandusky, Ohio 44870.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District does not have proprietary funds.

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 are the District's major governmental funds:

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.

Permanent improvement fund - The permanent improvement fund is used to account for the accumulation of resources for the acquisition, construction or improvement of capital facilities.

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

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

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

Other governmental funds of the District are used to account for specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

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 private-purpose trust fund accounts for student scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for Ohio High School Athletic Association (OHSAA) events and 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 are 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 requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the 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 and deferred outflows of resources and current 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.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report results of operations.

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

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

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 on the fund financial statements. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows of resources, and in the presentation of expenses versus expenditures.

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 year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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 of resources. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources 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
ERIE COUNTY, OHIO**

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

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 received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission for tax rate determination. The Erie County Commissioners waived this requirement for fiscal year 2014.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the function level of expenditures. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

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

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation 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 during fiscal year 2014. All amounts reported in the budgetary statement reflect the original and final appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. 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 investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes, all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$6,035, which includes \$2,706 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 fiscal year end is provided in Note 4.

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

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

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

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 recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

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

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

H. Capital Assets

General capital assets are those assets specifically 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 deductions 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. The District does not possess infrastructure.

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	10 - 50 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 8 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position.

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

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

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

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.

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 earned sick leave is made to the extent that it is probable that the benefits 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 the balance sheet date 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 age fifty or greater 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 leave and sick leave payments 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, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Any applicable amounts are recorded in the account "compensated absences payable" in the funds 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 and contractually required pension obligations that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Capital lease obligations are recognized as liabilities 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.

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

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

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 nor 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 includes 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 or liabilities 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 District had no net position restricted due to enabling legislation. The amount restricted for other purposes represents amounts restricted for food service operations.

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
ERIE COUNTY, OHIO**

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

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 prepayments in both government-wide and fund financial statements. These items are reported as assets on the statement of net position/balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense/expenditure is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

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 expenses/expenditures 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 expenses/expenditures to the funds that initially paid for them are not presented on the basic financial statements. The District did not report any interfund activity during fiscal year 2014.

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. Neither type of transaction occurred during fiscal year 2014.

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
ERIE COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

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

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 29,183
IDEA, Part B	26,459
Title I, disadvantaged children	35,426
IDEA, preschool grant for the handicapped	161

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as an other financing source.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR 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. Cash on Hand

At June 30, 2014, the District had \$4,300 in undeposited cash on hand, which is included on the basic financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$3,982,841. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$2,806,062 of the District's bank balance of \$4,274,857 was exposed to custodial risk as discussed below, while \$1,468,795 was covered by the FDIC.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

C. Investments

As of June 30, 2014, the District had the following investment and maturity:

	<u>Investment</u>	<u>Maturity</u>
<u>Investment type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
STAR Ohio	<u>\$ 1,334,486</u>	<u>\$ 1,334,486</u>

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 1,334,486</u>	<u>100.00</u>

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,982,841
Investments	1,334,486
Cash on hand	<u>4,300</u>
Total	<u>\$ 5,321,627</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,157,453
Private-purpose trust funds	94,781
Agency funds	<u>69,393</u>
Total	<u>\$ 5,321,627</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 1,915</u>

The primary purpose of interfund balances is to cover costs in specific funds where revenues were not received by June 30. The 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 in the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the statement of net position.

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
ERIE COUNTY, OHIO**

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

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 Erie and Huron Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$877,831 in the general fund and \$72,309 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,013,048 in the general fund and \$106,720 in the permanent improvement 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 of resources.

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 of resources.

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	\$ 211,285,690	94.77	\$ 210,819,340	94.40
Public utility personal	<u>11,653,800</u>	<u>5.23</u>	<u>12,501,270</u>	<u>5.60</u>
Total	<u>\$ 222,939,490</u>	<u>100.00</u>	<u>\$ 223,320,610</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 65.30		\$ 73.09	

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

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 8,744,127
Accounts	3,390
Accrued interest	676
Intergovernmental	<u>215,501</u>
Total	<u>\$ 8,963,694</u>

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

NOTE 8 - CAPITAL ASSETS

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

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 238,449	\$ 159,838	\$ -	\$ 398,287
Construction in progress	<u>39,804</u>	<u>67,272</u>	<u>(46,829)</u>	<u>60,247</u>
Total capital assets, not being depreciated	<u>278,253</u>	<u>227,110</u>	<u>(46,829)</u>	<u>458,534</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,027,319	62,724	-	1,090,043
Buildings and improvements	7,717,555	54,324	-	7,771,879
Furniture and equipment	1,710,202	96,823	(21,917)	1,785,108
Vehicles	<u>1,610,417</u>	<u>118,878</u>	<u>(80,383)</u>	<u>1,648,912</u>
Total capital assets, being depreciated	<u>12,065,493</u>	<u>332,749</u>	<u>(102,300)</u>	<u>12,295,942</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(813,272)	(15,982)	-	(829,254)
Buildings and improvements	(5,888,682)	(120,993)	-	(6,009,675)
Furniture and equipment	(1,080,827)	(114,956)	5,888	(1,189,895)
Vehicles	<u>(986,644)</u>	<u>(98,951)</u>	<u>72,345</u>	<u>(1,013,250)</u>
Total accumulated depreciation	<u>(8,769,425)</u>	<u>(350,882)</u>	<u>78,233</u>	<u>(9,042,074)</u>
Governmental activities capital assets, net	<u>\$ 3,574,321</u>	<u>\$ 208,977</u>	<u>\$ (70,896)</u>	<u>\$ 3,712,402</u>

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

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

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

<u>Instruction:</u>	
Regular	\$ 151,776
<u>Support services:</u>	
Instructional staff	10,737
Operations and maintenance	49,652
Pupil transportation	97,781
Food service operations	14,304
Extracurricular activities	<u>26,632</u>
Total depreciation expense	<u>\$ 350,882</u>

NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copier equipment have been capitalized in the amount of \$154,623. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 for this equipment was \$108,238, leaving a current book value of \$46,385. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2014 totaled \$31,737 and \$2,762, respectively, paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 34,498
2016	<u>8,625</u>
Total minimum lease payments	43,123
Less: amount representing interest	<u>(1,412)</u>
Total	<u>\$ 41,711</u>

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

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

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding			Balance Outstanding		Amounts Due in
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>One Year</u>	
Governmental activities:						
Capital lease obligations	\$ 73,448	\$ -	\$ (31,737)	\$ 41,711	\$ 33,182	
Compensated absences	<u>817,407</u>	<u>124,767</u>	<u>(166,127)</u>	<u>776,047</u>	<u>97,220</u>	
Total long-term obligations, governmental activities	<u>\$ 890,855</u>	<u>\$ 124,767</u>	<u>\$ (197,864)</u>	<u>\$ 817,758</u>	<u>\$ 130,402</u>	

See Note 9 for detail on the District's capital lease obligations. Principal and interest payments are made from the general fund.

Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

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 \$20,098,855 and an unvoted debt margin of \$223,321.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Vacation Leave

All regular, twelve-month classified employees shall be entitled to anywhere from one to five weeks of vacation leave at the employee's regular rate of pay depending on the employee's length of service. Vacation leave may be carried over or split from one anniversary year to the next, up to a maximum of fifteen days. An employee will also be compensated for unused vacation leave, accrued annually, up to a maximum of ten days if the District requests the employee work in lieu of taking vacation. In the event of separation from employment, an employee is entitled to compensation for all unused vacation leave up to the maximum.

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

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

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

B. Sick Leave and Severance

Certified employees who have ten or more years of active service with the Board may, at the time of retirement from active service, elect to be paid in cash for one-third of the value of his or her accrued but unused sick leave credit. Such payment shall be based on the employee's rate of pay at the time of retirement and shall eliminate all sick leave credit accrued but unused by the employee at the time payment is made. The aggregate value of accrued, but unused, sick leave pay shall not exceed the value of fifty-eight days of sick leave. For this purpose, retirement means that the employee has been approved for retirement by the State Teachers Retirement System of Ohio (STRS) and will begin receiving monthly retirement payments upon receiving the last pay from the Board. Certified employees who elect to retire in the first year when they have thirty years of service, or are fifty-five years old and have twenty-five years of service, will receive severance pay equal to two-thirds of the employee's accrued but unused sick leave to a maximum of 110 days.

Sick leave for classified employees can be accumulated up to 225 days for nine-month employees, and 245 days for twelve-month employees. Classified employees who have fifteen or more years of active service will be paid for one-third of the value of his or her accrued but unused sick leave credit, not to exceed a maximum of sixty-two days of severance pay. All employees with at least ten years of service with the District will be paid for one-fourth of the value of his or her accrued but unused sick leave credit, not to exceed a maximum of forty-two days of severance pay. The additional pay will be calculated at the rate of pay in effect at the time of retirement. Classified employees who elect to retire the first year when they have thirty years of service, or are fifty-five years old and have twenty-five years of service, will receive severance pay equal to two-thirds of the employee's accrued but unused sick leave to a maximum of 105 days.

NOTE 12 - RISK MANAGEMENT

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. The District maintains comprehensive insurance coverage with private carriers for real property, building contents, liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The amount of insurance coverage has been maintained or increased over the last several years.

The District is a member of the Huron-Erie School Employees Insurance Association (the "Association"), a public entity risk pool currently operating as a common risk management and health insurance program for various public schools, whose majority properties are within Huron and Erie Counties. The District pays a monthly premium to the pool for medical, prescription drug and dental coverage. The Association participation agreement provides that the trust funds will be self-sustaining through member premiums, and the trust funds shall be protected by the use of stop-loss secondary insurance coverage from private insurance carriers to cover claims in excess of \$250,000 for any one claim or to cover aggregate claims in excess of 120% of the prior year's total claims paid. The plan designs for each member limits individual to \$1,000,000 lifetime claim coverage.

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

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

NOTE 12 - RISK MANAGEMENT - (Continued)

In the event of a withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees and associated dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14 for those employees who have retired; or by Federal Continuation of Benefits, provided the participant continues to make premium contributions to the Association. The District is no longer financially responsible for the future premiums or claims in each of the aforementioned situations.

For fiscal year 2014, the District participated in the Ohio School Boards Association Workers' Compensation Program (the "Program"). The third party administrator for the Program was CompManagement, Inc., a subsidiary of Sedgwick CMS Company. The intent of the Program is to assist the District to manage workers' compensation claims, the associated costs, and to potentially improve the District's risk management of worker related injuries. Participation in the Program is limited to school districts that can meet the Ohio School Boards Association's eligibility criteria.

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, under "*Employers/Audit Resources*".

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 \$287,734, \$275,334 and \$278,228, respectively; 95.00 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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 \$841,504, \$824,963 and \$818,874, respectively; 82.90 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 \$22,579 made by the District and \$17,740 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.

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

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

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, under "Employers/Audit Resources".

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 \$38,033, \$34,777 and \$41,388, respectively; 95.00 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 \$16,693, \$15,553 and \$16,431, respectively; 95.00 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

NOTE 14- POSTEMPLOYMENT BENEFITS - (Continued)

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, 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 \$64,731, \$63,459 and \$62,990, respectively; 82.90 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, 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) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 428,514
Net adjustment for revenue accruals	(36,692)
Net adjustment for expenditure accruals	(113,525)
Net adjustment for other sources/uses	(22,892)
Funds budgeted elsewhere	455
Adjustment for encumbrances	<u>388,528</u>
GAAP basis	<u>\$ 644,388</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund, the faculty sunshine fund, and the public school support fund.

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 and other applicable offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

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

NOTE 17 - SET-ASIDES - (Continued)

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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	264,303
Current year offsets	<u>(735,670)</u>
Total	<u>\$ (471,367)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u><u>\$ -</u></u>

NOTE 18 - 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	\$ 293,999
Permanent improvement fund	14,090
Nonmajor governmental funds	<u>67,035</u>
Total	<u><u>\$ 375,124</u></u>

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$ 43,720	\$ 43,720
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555	40,011	40,011
Cash Assistance	10.555	215,536	215,536
Total National School Lunch Program		<u>255,547</u>	<u>255,547</u>
Total Child Nutrition Cluster		299,267	299,267
Team Nutrition Grants	10.574	5,000	976
Total United States Department of Agriculture		<u>304,267</u>	<u>300,243</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through the Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	402,407	381,451
Special Education - Preschool Grants (IDEA Preschool)	84.173	16,499	16,499
Total Special Education Cluster		<u>418,906</u>	<u>397,950</u>
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	239,308	221,673
Improving Teacher Quality State Grants	84.367	35,077	34,682
Total United States Department of Education		<u>693,291</u>	<u>654,305</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 997,558</u>	<u>\$ 954,548</u>

The accompanying notes are an integral part of this schedule.

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 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.

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain federal programs require the District to contribute non-federal funds (matching funds) to support the federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



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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
Erie County
140 South Main Street
Milan, Ohio 44846-9770

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, Erie 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 and have issued our report thereon dated March 19, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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*.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State

Columbus, Ohio

March 19, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Edison Local School District
Erie County
140 South Main Street
Milan, Ohio 44846-9770

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Edison Local School District, Erie County, Ohio'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 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 programs.

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, Edison Local School District, Erie County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect 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 over 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

March 19, 2015

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster – Special Education Grants to States (IDEA, Part B) CFDA #84.027, Special Education Preschool Grants (IDEA Preschool) CFDA #84.173.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2014-001

Material Weakness - Financial Reporting

We identified the following error requiring adjustment to the financial statements and notes to the financial statements for the year ending June 30, 2014:

- Rollbacks were incorrectly removed from the taxes receivable calculation, resulting in Taxes Receivable / Deferred Inflows – Property Tax Levied for the Next Fiscal Year being understated in the General (\$782,000) and Permanent Improvement (\$77,363) funds.

Additionally, immaterial errors not requiring adjustment to the financial statements were noted in the classification of certain fund balances and the classification of certain general and program revenues ranging from \$39,779 to \$588,190.

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and the Board of Education, to identify and correct errors and omissions. Also, the Treasurer can refer to the Uniform School Accounting System User Manual available from the following web address for guidance on the posting of transactions:

https://ohioauditor.gov/publications/uniform_school_accounting_system_user_manual.pdf

Officials' Response:

The Treasurer's office will work with the GAAP conversion firm and County Auditor to ensure proper receivable amounts are recorded.

3. FINDINGS FOR FEDERAL AWARDS

None

EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 5705.10(C) for allocating revenues to improper funds.	Yes	

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EDISON LOCAL SCHOOL DISTRICT

ERIE 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
APRIL 7, 2015**