



Dave Yost • Auditor of State

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITORS' REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Jefferson County, Ohio (the "District"), as of and for the year ended June 30, 2013, 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, Jefferson County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal 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 Districts, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling 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 3, 2014, 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 3, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities increased \$782,284, which represents a 26.36% increase from 2012.
- General revenues accounted for \$16,776,430 in revenue, or 81.03% of all revenues. Program specific revenues, in the form of charges for services and sales and operating grants and contributions accounted for \$3,927,812 or 18.97% of total revenues of \$20,704,242.
- The District had \$19,921,958 in expenses related to governmental activities; program-specific charges for services, grants and contributions offset only \$3,927,812 of these expenses. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,776,430 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$18,382,803 in revenues and other financing sources and \$17,002,704 in expenditures. During fiscal year 2013, the general fund's fund balance increased \$1,380,099 from a deficit of \$740,346 to a balance of \$639,753.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question "How did the District perform financially during 2013?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid. These two statements report the District's net position and changes in net position during the year. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

The District's statement of net position and statement of activities can be found on pages 15 - 16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17 - 21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets of fiduciary activities cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24 - 49 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012. Balances at June 30, 2012 have been reclassified to present property taxes levied for the next fiscal year as a deferred inflow of resources in accordance with GASB Statement No. 65 rather than as a liability as previously reported.

	Net Position	
	Governmental Activities 2013	Reclassified Governmental Activities 2012
<u>Assets</u>		
Current and other assets	\$ 10,630,916	\$ 9,629,210
Capital assets, net	<u>3,487,927</u>	<u>4,279,293</u>
Total assets	<u>14,118,843</u>	<u>13,908,503</u>
<u>Liabilities</u>		
Current liabilities	1,795,090	1,772,196
Long-term liabilities	<u>1,402,800</u>	<u>1,832,220</u>
Total liabilities	<u>3,197,890</u>	<u>3,604,416</u>
<u>Deferred Inflows of Resources</u>	<u>7,170,766</u>	<u>7,336,184</u>
<u>Net Position</u>		
Net investment in capital assets	3,388,142	4,135,275
Restricted	202,511	153,258
Unrestricted (deficit)	<u>159,534</u>	<u>(1,320,630)</u>
Total net position	<u>\$ 3,750,187</u>	<u>\$ 2,967,903</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities and deferred inflows of resources by \$3,750,187.

At year-end, capital assets represented 24.70% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. The District's net investment in capital assets at June 30, 2013, was \$3,388,142. These capital assets are used to provide services to students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

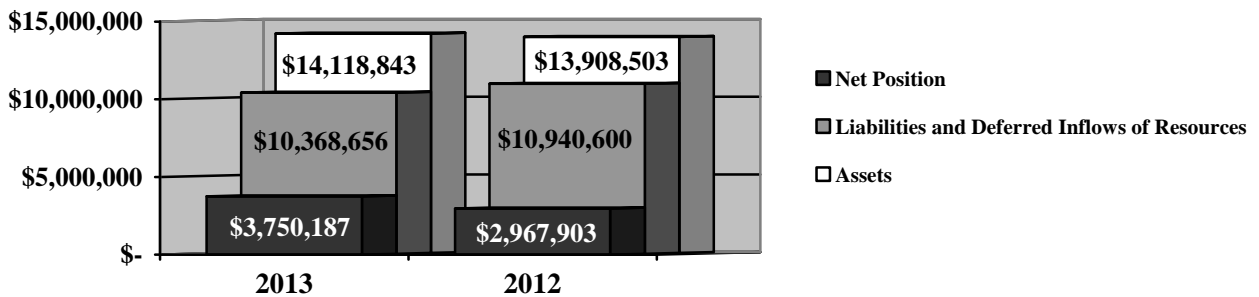
**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

A portion of the District's net position, \$202,511, represents resources that are subject to external restrictions as to their use. The remaining balance of unrestricted net position of \$159,534 may be used to meet the District's ongoing obligations to students and creditors.

The graph below illustrates the assets, liabilities and deferred inflows of resources, and net position of the District's governmental activities at June 30, 2013 and 2012:

Governmental Activities



Governmental Activities

The net position of the District's governmental activities increased \$782,284 during fiscal year 2013. Total governmental expenses of \$19,921,958 were offset by program revenues of \$3,927,812, and general revenues of \$16,776,430. Program revenues supported 19.72% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants. These revenue sources represent 78.56% of total governmental revenue. Property tax revenue increased from fiscal year 2012 due to higher real and other local taxes collected during the year and higher property taxes available to the District as an advance as of June 30, 2013. During fiscal year 2012, the District was awarded \$1,100,000 in contributions from FirstEnergy to offset a reduction in the assessed valuation of the FirstEnergy Sammis Power Plant; this amount was recognized as revenue entirely during fiscal year 2012, causing a decrease in contributions and donations revenues of \$1,139,329 during fiscal year 2013. Further, the District entered into an agreement with Chesapeake Exploration, LLC for an oil and gas lease of the District's land. The District has recognized revenue from oil and gas lease in the amount of \$435,297 for a bonus payment at the inception of the lease in fiscal year 2013.

Expenses of the governmental activities decreased \$1,509,566 as a result of a reduction in staffing, consolidation of District operations, including the closure of Springfield Junior High School, and other cost savings measures implemented by the District for fiscal year 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The table below shows the change in net position for fiscal years 2013 and 2012.

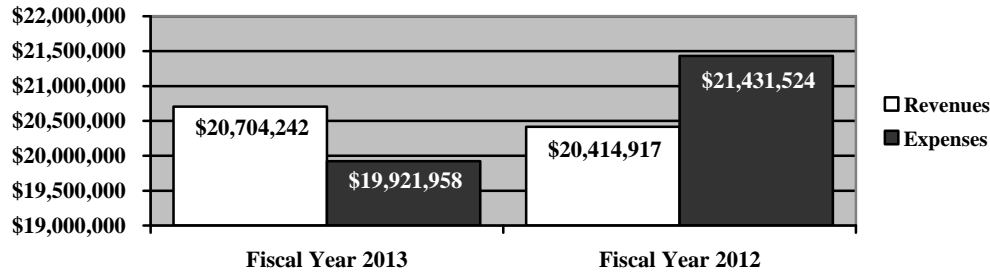
	Change in Net Position	
	Governmental Activities 2013	Governmental Activities 2012
	<u>2013</u>	<u>2012</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,248,955	\$ 1,244,984
Operating grants and contributions	2,678,857	2,835,216
General revenues:		
Property taxes	7,974,760	6,860,289
Grants and entitlements	8,291,107	8,209,438
Revenue from oil and gas lease	435,297	-
Contributions and donations	9,355	1,148,684
Investment earnings	250	848
Other	<u>65,661</u>	<u>115,458</u>
Total revenues	<u>20,704,242</u>	<u>20,414,917</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	6,954,290	7,619,666
Special	1,565,570	1,851,466
Vocational	126,592	97,523
Adult education	3,500	5,000
Other	2,834,338	2,654,783
Support services:		
Pupil	630,771	918,878
Instructional staff	1,124,544	1,131,175
Board of education	153,817	155,426
Administration	1,359,729	1,614,821
Fiscal	540,028	509,944
Business	17,672	111,846
Operations and maintenance	1,457,219	1,425,139
Pupil transportation	1,625,443	1,842,837
Central	227,900	243,656
Operation of non-instructional services:		
Food service operations	911,840	879,687
Other non-instructional services	63,243	2,023
Extracurricular activities	315,539	354,341
Interest and fiscal charges	<u>9,923</u>	<u>13,313</u>
Total expenses	<u>19,921,958</u>	<u>21,431,524</u>
Change in net position	782,284	(1,016,607)
Net position at beginning of year	<u>2,967,903</u>	<u>3,984,510</u>
Net position at end of year	<u>\$ 3,750,187</u>	<u>\$ 2,967,903</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The graph below illustrates governmental activities revenue and expenses for fiscal years 2013 and 2012.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program expenses				
Instruction:				
Regular	\$ 6,954,290	\$ 5,955,791	\$ 7,619,666	\$ 6,650,212
Special	1,565,570	716,909	1,851,466	929,222
Vocational	126,592	73,967	97,523	44,898
Adult education	3,500	(497)	5,000	1,369
Other	2,834,338	2,834,338	2,654,783	2,654,783
Support services:				
Pupil	630,771	468,493	918,878	711,948
Instructional staff	1,124,544	439,819	1,131,175	375,292
Board of education	153,817	153,817	155,426	155,426
Administration	1,359,729	1,285,445	1,614,821	1,550,451
Fiscal	540,028	540,028	509,944	509,944
Business	17,672	17,672	111,846	111,846
Operations and maintenance	1,457,219	1,457,014	1,425,139	1,410,973
Pupil transportation	1,625,443	1,608,651	1,842,837	1,818,993
Central	227,900	220,700	243,656	236,456
Operation of non-instructional services:				
Food service operations	911,840	34,290	879,687	(28,025)
Other non-instructional services	63,243	62,960	2,023	674
Extracurricular activities	315,539	114,826	354,341	203,549
Interest and fiscal charges	9,923	9,923	13,313	13,313
Total expenses	<u>\$ 19,921,958</u>	<u>\$ 15,994,146</u>	<u>\$ 21,431,524</u>	<u>\$ 17,351,324</u>

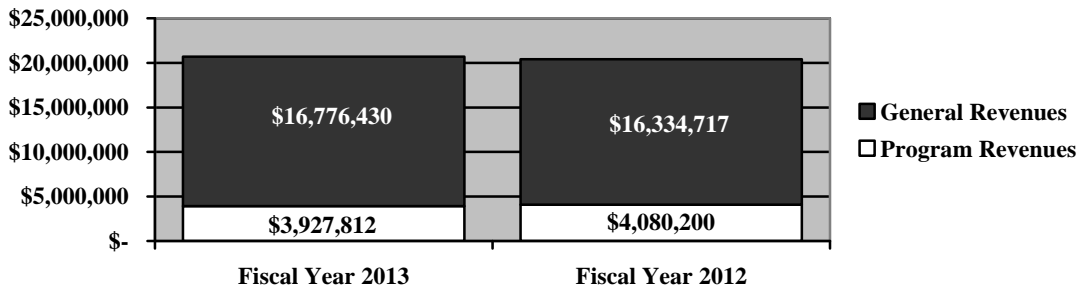
**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 83.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.28%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$883,661, which is \$1,448,487 higher than last year's deficit balance of \$564,826. The schedule below indicates the fund balances and the total change in fund balances as of June 30, 2013 and 2012.

	Fund Balance June 30, 2013	Fund Balance (Deficit) June 30, 2012	Increase
General	\$ 639,753	\$ (740,346)	\$ 1,380,099
Other Governmental	243,908	175,520	68,388
Total	<u>\$ 883,661</u>	<u>\$ (564,826)</u>	<u>\$ 1,448,487</u>

General Fund

The District's general fund balance increased \$1,380,099 during fiscal year 2013. Contributions and donations in the general fund decreased significantly during 2013 due to a lower scheduled payment from FirstEnergy as part of its contribution agreement with the District; of the \$1,100,000 agreement, \$200,000 remains to be received during fiscal year 2014 and is recorded as receivable at June 30, 2013. Property tax revenue increased from fiscal year 2012 due to higher real and other local taxes collected during the year and higher property taxes available to the District as an advance as of June 30, 2013. Tuition revenue decreased 10.48% due to lower receipts during the year for open enrollment. During 2013, the District began receiving charges from students for classroom materials and participation in athletic activities; these revenues offset lower extracurricular revenues during fiscal year 2013 and contributed to an overall 11.32% increase in other revenues.

Instruction and support services expenditures decreased 6.85% and 12.22%, respectively. These decreases resulted from lower employee salaries and benefits paid during the year, among other measures taken by the District to reduce spending. Operation of non-instructional services expenditures increased significantly due to payments for purchased services not incurred by the general fund in the prior year, while extracurricular activities expenditures decreased due to lower disbursements for salaries related to supplemental student activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

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

	2013 Amount	2012 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 7,804,949	\$ 7,291,231	\$ 513,718	7.05 %
Tuition	755,518	843,991	(88,473)	(10.48) %
Earnings on investments	250	848	(598)	(70.52) %
Intergovernmental	8,845,597	8,768,663	76,934	0.88 %
Revenue from oil and gas lease	435,297	-	435,297	100.00 %
Contributions and donations	309,355	662,850	(353,495)	(53.33) %
Other revenues	195,443	175,562	19,881	11.32 %
Total	<u>\$ 18,346,409</u>	<u>\$ 17,743,145</u>	<u>\$ 603,264</u>	3.40 %
<u>Expenditures</u>				
Instruction	\$ 10,706,296	\$ 11,493,861	\$ (787,565)	(6.85) %
Support services	5,991,849	6,826,257	(834,408)	(12.22) %
Operation of non-instructional services	62,995	165	62,830	38,078.79 %
Extracurricular activities	187,408	233,725	(46,317)	(19.82) %
Debt service	54,156	54,156	-	- %
Total	<u>\$ 17,002,704</u>	<u>\$ 18,608,164</u>	<u>\$ (1,605,460)</u>	(8.63) %

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$18,069,241, which is 1.71% lower than original budgeted revenues of \$18,383,625. Actual revenues and other financing sources for fiscal year 2013 were \$18,117,585. This represents a \$48,344 increase over final budgeted revenues.

General fund final budgeted expenditures were \$18,584,418, which were lower than the original budgeted expenditures of \$18,938,094. Actual budget-basis expenditures for fiscal year 2013 totaled \$17,570,469 and were \$1,013,949 lower than in the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$3,487,927 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. This entire amount is reported in the District's governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The following table shows June 30, 2013 balances compared to June 30, 2012:

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

	Governmental Activities	
	2013	2012
Land	\$ 104,743	\$ 121,734
Land improvements	328,313	371,438
Buildings and improvements	2,334,451	2,894,377
Furniture and equipment	286,281	320,870
Vehicles	423,861	559,505
Infrastructure	10,278	11,369
Total	\$ 3,487,927	\$ 4,279,293

Total additions to capital assets for fiscal year 2013 were \$42,355 and depreciation expense totaled \$354,469. During 2013, the District disposed of capital assets with a total net book value of \$479,252.

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

Debt Administration

The district's outstanding long-term obligations consist of a capital lease obligation with outstanding principal amounting to \$99,785; of this principal balance, \$47,904 is due within one year.

The following table summarizes the District's lease outstanding at June 30, 2013 and June 30, 2012:

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2013	2012
Capital lease obligations	\$ 99,785	\$ 144,018

At June 30, 2013, the District's overall legal debt margin was \$30,424,738 and its unvoted debt margin was \$338,050.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Current Financial Related Activities

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

The District has reduced annual spending by approximately \$6.5 million over the last eight years. The teaching staff has been reduced from 181 teachers in 2004 to 103 teachers as the District enters fiscal year 2014, and non-teaching staff has been reduced from over 120 employees to 61 employees for fiscal year 2014. In addition to three elementary schools that the District closed in prior years, Springfield Junior High was closed following the 2012-2013 school year, which will reduce the District's expenses by \$1 million per year. Beginning in fiscal year 2014, the District will close Pleasant Hill Elementary and cut high school bus transportation. This, along with other reductions, will save the District approximately \$1.5 million in fiscal year 2014. Additionally, the District has implemented a budget reduction plan; this plan further reduces the District's employment, initiates a pay-to-participate schedule for all extracurricular activities, and begins an educational supply fee to offset the costs associated with the District's services. Despite the District's actions to remain solvent, it faces financial difficulties due to recent State legislation, as the District does not anticipate increases in its revenues through the state foundation program during fiscal years 2014 and 2015.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,860,963
Receivables:	
Property taxes.	8,116,393
Accounts	211,592
Intergovernmental.	334,868
Prepayments.	88,081
Materials and supplies inventory	19,019
Capital assets:	
Nondepreciable capital assets	104,743
Depreciable capital assets, net	<u>3,383,184</u>
Capital assets, net	<u>3,487,927</u>
Total assets	<u>14,118,843</u>
 Liabilities:	
Accounts payable.	42,379
Accrued wages and benefits payable	1,411,221
Pension obligation payable.	273,005
Intergovernmental payable	68,485
Long-term liabilities:	
Due within one year.	293,981
Due in more than one year	<u>1,108,819</u>
Total liabilities	<u>3,197,890</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	<u>7,170,766</u>
Total deferred inflows of resources	<u>7,170,766</u>
 Net position:	
Net investment in capital assets	3,388,142
Restricted for:	
Capital projects.	76,553
Debt service	229
State funded programs.	3,446
Federally funded programs	3,229
Student activities	75,379
Other purposes.	43,675
Unrestricted	<u>159,534</u>
Total net position	<u>\$ 3,750,187</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 6,954,290	\$ 789,057	\$ 209,442	\$ (5,955,791)
Special	1,565,570	-	848,661	(716,909)
Vocational	126,592	-	52,625	(73,967)
Adult/continuing	3,500	-	3,997	497
Other	2,834,338	-	-	(2,834,338)
Support services:				
Pupil	630,771	-	162,278	(468,493)
Instructional staff	1,124,544	-	684,725	(439,819)
Board of education	153,817	-	-	(153,817)
Administration	1,359,729	16,558	57,726	(1,285,445)
Fiscal	540,028	-	-	(540,028)
Business	17,672	-	-	(17,672)
Operations and maintenance	1,457,219	205	-	(1,457,014)
Pupil transportation	1,625,443	9,914	6,878	(1,608,651)
Central	227,900	-	7,200	(220,700)
Operation of non-instructional services:				
Food service operations	911,840	247,089	630,461	(34,290)
Other non-instructional services	63,243	-	283	(62,960)
Extracurricular activities	315,539	186,132	14,581	(114,826)
Interest and fiscal charges	9,923	-	-	(9,923)
Total governmental activities	\$ 19,921,958	\$ 1,248,955	\$ 2,678,857	(15,994,146)
General revenues:				
Property taxes levied for general purposes				7,974,760
Grants and entitlements not restricted to specific programs				8,291,107
Revenue from oil and gas lease				435,297
Contributions and donations				9,355
Investment earnings				250
Miscellaneous				65,661
Total general revenues				16,776,430
Change in net position				782,284
Net position at beginning of year				2,967,903
Net position at end of year				\$ 3,750,187

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,522,030	\$ 338,933	\$ 1,860,963
Receivables:			
Property taxes	8,116,393	-	8,116,393
Accounts	211,592	-	211,592
Intergovernmental	85,789	249,079	334,868
Due from other funds	21,295	-	21,295
Prepayments	85,513	2,568	88,081
Materials and supplies inventory	-	19,019	19,019
Total assets	<u>\$ 10,042,612</u>	<u>\$ 609,599</u>	<u>\$ 10,652,211</u>
Liabilities:			
Accounts payable	\$ 40,880	\$ 1,499	\$ 42,379
Accrued wages and benefits payable	1,228,057	183,164	1,411,221
Compensated absences payable	60,111	-	60,111
Intergovernmental payable	66,636	1,849	68,485
Pension obligation payable	239,277	33,728	273,005
Due to other funds	-	21,295	21,295
Total liabilities	<u>1,634,961</u>	<u>241,535</u>	<u>1,876,496</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	7,170,766	-	7,170,766
Delinquent property tax revenue not available	375,393	-	375,393
Intergovernmental revenue not available	-	124,156	124,156
Contributions and donations not available	200,000	-	200,000
Miscellaneous revenue not available	21,739	-	21,739
Total deferred inflows of resources	<u>7,767,898</u>	<u>124,156</u>	<u>7,892,054</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory	-	19,019	19,019
Prepayments	85,513	2,568	88,081
Restricted:			
Debt service	-	229	229
Capital improvements	-	76,553	76,553
Food service operations	-	56,045	56,045
Extracurricular	-	75,379	75,379
Other purposes	-	4,419	4,419
Committed:			
Capital improvements	-	76,825	76,825
Assigned:			
Student instruction	21,637	-	21,637
Student and staff support	269,593	-	269,593
School supplies	3,803	-	3,803
Subsequent year's appropriations	36,375	-	36,375
Other purposes	1,450	-	1,450
Unassigned (deficit)	221,382	(67,129)	154,253
Total fund balances	<u>639,753</u>	<u>243,908</u>	<u>883,661</u>
Total liabilities, deferred inflows of of resources, and fund balances	<u>\$ 10,042,612</u>	<u>\$ 609,599</u>	<u>\$ 10,652,211</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	883,661
<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.			3,487,927
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	\$	375,393	
Accounts receivable		200,000	
Intergovernmental receivable		145,895	
Total		721,288	721,288
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(99,785)	
Compensated absences		(1,242,904)	
Total		(1,342,689)	(1,342,689)
Net position of governmental activities		\$	3,750,187

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Property taxes	\$ 7,804,949	\$ -	\$ 7,804,949
Tuition	755,518	-	755,518
Transportation fees	9,914	-	9,914
Earnings on investments	250	-	250
Charges for services	-	247,089	247,089
Extracurricular	16,758	80,172	96,930
Classroom materials and fees	138,345	-	138,345
Rental income	205	-	205
Contributions and donations	309,355	6,780	316,135
Contract services	954	-	954
Revenue from oil and gas lease	435,297	-	435,297
Other local revenues	29,267	10,081	39,348
Intergovernmental - state	8,845,597	333,026	9,178,623
Intergovernmental - federal	-	1,683,200	1,683,200
Total revenues	18,346,409	2,360,348	20,706,757
Expenditures:			
Current:			
Instruction:			
Regular	6,485,351	210,838	6,696,189
Special	1,257,542	344,702	1,602,244
Vocational	126,125	-	126,125
Adult/continuing	-	3,500	3,500
Other	2,837,278	-	2,837,278
Support services:			
Pupil	483,212	156,920	640,132
Instructional staff	443,523	656,616	1,100,139
Board of education	153,817	-	153,817
Administration	1,292,352	55,419	1,347,771
Fiscal	546,870	-	546,870
Business	26,594	-	26,594
Operations and maintenance	1,355,331	-	1,355,331
Pupil transportation	1,471,121	-	1,471,121
Central	219,029	7,500	226,529
Operation of non-instructional services:			
Food service operations	-	845,168	845,168
Other non-instructional services	62,995	248	63,243
Extracurricular activities	187,408	85,651	273,059
Debt service:			
Principal retirement	44,233	-	44,233
Interest and fiscal charges	9,923	-	9,923
Total expenditures	17,002,704	2,366,562	19,369,266
Excess (deficiency) of revenues over (under) expenditures	1,343,705	(6,214)	1,337,491
Other financing sources:			
Sale of assets	36,394	76,553	112,947
Total other financing sources	36,394	76,553	112,947
Net change in fund balances	1,380,099	70,339	1,450,438
Fund balances (deficit) at beginning of year	(740,346)	175,520	(564,826)
Decrease in reserve for inventory	-	(1,951)	(1,951)
Fund balances at end of year	\$ 639,753	\$ 243,908	\$ 883,661

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	\$	1,450,438
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 42,355	
Current year depreciation	(354,469)	
Total		(312,114)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(479,252)
Governmental funds report expenditures for inventory when purchased; however, in the statement of activities, they are reported as an expense when consumed.		
		(1,951)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	169,811	
Contributions and donations	(300,000)	
Intergovernmental	91,280	
Miscellaneous	21,739	
Total		(17,170)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		44,233
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.		
		98,100
Change in net position of governmental activities	\$	782,284

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 7,690,042	\$ 7,563,258	\$ 7,563,531	\$ 273
Tuition	777,772	763,858	764,977	1,119
Transportation fees	11,521	18,000	11,331	(6,669)
Earnings on investments	254	900	250	(650)
Classroom materials and fees	140,659	76,000	138,345	62,345
Rental income	208	40	205	165
Contributions and donations	310,610	305,500	305,500	-
Contract services	970	-	954	954
Revenue from oil and gas lease	442,578	435,297	435,297	-
Other local revenues	15,459	69,763	15,204	(54,559)
Intergovernmental - state	8,993,552	8,818,625	8,845,597	26,972
Total revenues	<u>18,383,625</u>	<u>18,051,241</u>	<u>18,081,191</u>	<u>29,950</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,164,593	6,964,592	6,557,159	407,433
Special	1,694,100	1,594,100	1,252,929	341,171
Vocational	118,500	128,608	124,574	4,034
Other	2,782,260	2,782,260	2,846,442	(64,182)
Support services:				
Pupil	540,831	505,155	764,301	(259,146)
Instructional staff	399,250	399,250	440,709	(41,459)
Board of education	158,500	158,500	168,552	(10,052)
Administration	1,531,015	1,511,015	1,293,608	217,407
Fiscal	518,315	518,315	547,441	(29,126)
Business	141,345	141,345	28,422	112,923
Operations and maintenance	1,647,163	1,647,163	1,585,980	61,183
Pupil transportation	1,783,769	1,775,662	1,494,454	281,208
Central	231,053	231,053	219,985	11,068
Other operation of non-instructional services	3,500	500	59,740	(59,240)
Extracurricular activities	223,900	226,900	186,173	40,727
Total expenditures	<u>18,938,094</u>	<u>18,584,418</u>	<u>17,570,469</u>	<u>1,013,949</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(554,469)</u>	<u>(533,177)</u>	<u>510,722</u>	<u>1,043,899</u>
Other financing sources:				
Sale of assets	-	18,000	36,394	18,394
Total other financing sources	<u>-</u>	<u>18,000</u>	<u>36,394</u>	<u>18,394</u>
Net change in fund balance	(554,469)	(515,177)	547,116	1,062,293
Fund balance at beginning of year	570,733	570,733	570,733	-
Prior year encumbrances appropriated	91,094	91,094	91,094	-
Fund balance at end of year	<u>\$ 107,358</u>	<u>\$ 146,650</u>	<u>\$ 1,208,943</u>	<u>\$ 1,062,293</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 101,220	\$ 38,828
Total assets	<u>101,220</u>	<u>\$ 38,828</u>
Liabilities:		
Due to students	-	\$ 38,828
Total liabilities	<u>-</u>	<u>\$ 38,828</u>
Net position:		
Held in trust for scholarships.	<u>101,220</u>	
Total net position.	<u>\$ 101,220</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private-Purpose Trust	
	Scholarship	
Additions:		
Interest	\$	71
Gifts and contributions		400
		471
Change in net position		
Net position at beginning of year		100,749
Net position at end of year	\$	101,220

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Edison Local School District (the "District") is organized under Section 3311.01 of the Ohio Revised Code as a local district. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines. The District is staffed by 79 non-certified employees, 10 administrators, and 109 certified full-time teaching personnel who provide services to 1,806 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

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

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

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

OME-RESA is owned and operated by 47 member districts in 11 different Ohio counties. The member districts are comprised of public districts and county Educational Service Centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During the year ended June 30, 2013, the District paid approximately \$63,825, to OME-RESA for basic service charges.

Jefferson County Joint Vocational School

The Jefferson County Joint Vocational School (JVS) was established by the Ohio Revised Code, and is a jointly governed organization providing vocational services to its six member districts. The JVS is governed by a Board of Education comprised of 11 members appointed by the participating schools. The Board controls the financial activity of the JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the JVS is not dependent on the District's continued participation and no measurable equity interest exists.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

INSURANCE PURCHASING POOL

Workers' Compensation Group Rating Program

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 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, 2013, 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
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2013 is as follows:

1. *Tax Budget* - Ohio Revised Code Section 5705.28 required the District to adopt a tax budget for the following fiscal year on or before January 15. This section requires the adopted budget to be submitted to the County Auditor, as Secretary of the County Budget Commission by January 20 of each year, for the period July 1 through June 30 of the following year. The District obtained a waiver as provided for by Ohio Revised Code Section 5705.281, in which they did not have to adopt a tax budget or submit the budget to the County Auditor.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2013.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2013. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Cash Equivalents

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

During fiscal year 2013, investments were limited to nonnegotiable certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$250, which includes \$62 assigned from other District funds.

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

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

G. Inventory

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District’s capitalization threshold is \$5,000. Improvements are capitalized, whereas the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years
Infrastructure	50 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and cash deficits are classified as “interfund loans receivable/payable” and “due to/from other funds”, respectively. These amounts are eliminated in the governmental activities column on the statement of net position. The District had no interfund loans receivable/payable at June 30, 2013.

J. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for sick leave is made to the extent that it is probable that the benefit will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds; however, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term obligations resulting from financing arrangements, such as capital leases, are recognized as a liability in the fund financial statements when due.

L. Fund Balance

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

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

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

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

M. Net Position

Net position represents the difference between assets 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 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 are also included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations and the special trust fund (a nonmajor governmental fund).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2013, the District did not have any transactions that would be considered extraordinary or special.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections - 2012".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 affected the District's financial statements to present certain items that were previously reported as liabilities as deferred inflows of resources.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 9,715
IDEA Part-B	16,445
Title I, disadvantaged children	35,006
Improving teacher quality	5,963

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

NOTE 4 - DEPOSITS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS - (Continued)

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

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

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

A. Cash on Hand

At fiscal year end, the District had \$1,200 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$1,999,811. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2013, \$1,931,697 of the District's bank balance of \$2,291,295 was exposed to custodial risk as discussed below, while \$359,598 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS - (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.

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

C. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

The following is a reconciliation of cash and cash equivalents as reported in Note 2.B to cash and cash equivalents as reported on the statement of net position as of June 30, 2013:

<u>Cash and cash equivalents per footnote:</u>	
Carrying amount of deposits	\$ 1,999,811
Cash on hand	<u>1,200</u>
Total	<u>\$ 2,001,011</u>
 <u>Cash and cash equivalents per statement of net position:</u>	
Governmental activities	\$ 1,860,963
Private-purpose trust fund	101,220
Agency fund	<u>38,828</u>
Total	<u>\$ 2,001,011</u>

NOTE 5 - INTERFUND BALANCES

Interfund balances at June 30, 2013, as reported on the fund financial statements, consist of the following amounts due to/due from other funds:

Amounts due to the general fund from:

Nonmajor governmental funds	<u>\$ 21,295</u>
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The primary purpose of the interfund balances is to cover negative cash in the nonmajor governmental funds. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Jefferson, Carroll, and Harrison Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$570,234 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$328,816 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013 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 a deferred inflow 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 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 216,533,660	67.82	\$ 234,308,820	69.31
Public utility personal	<u>102,765,760</u>	<u>32.18</u>	<u>103,741,279</u>	<u>30.69</u>
Total	<u>\$ 319,299,420</u>	<u>100.00</u>	<u>\$ 338,050,099</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$29.70		\$29.70	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of taxes, accounts (billings for user charged services, student fees, and contractually committed contributions and donations) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 8,116,393
Accounts	211,592
Intergovernmental	<u>334,868</u>
Total	<u>\$ 8,662,853</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Deductions	Balance 6/30/13
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 121,734	\$ -	\$ (16,991)	\$ 104,743
Total capital assets, not being depreciated	<u>121,734</u>	<u>-</u>	<u>(16,991)</u>	<u>104,743</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	890,777	-	(87,484)	803,293
Buildings and improvements	7,795,301	-	(1,547,045)	6,248,256
Furniture and equipment	798,328	42,355	(69,125)	771,558
Vehicles	2,189,173	-	(220,481)	1,968,692
Infrastructure	<u>88,049</u>	<u>-</u>	<u>(10,450)</u>	<u>77,599</u>
Total capital assets, being depreciated	<u>11,761,628</u>	<u>42,355</u>	<u>(1,934,585)</u>	<u>9,869,398</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(519,339)	(29,601)	73,960	(474,980)
Buildings and improvements	(4,900,924)	(117,217)	1,104,336	(3,913,805)
Furniture and equipment	(477,458)	(71,007)	63,188	(485,277)
Vehicles	(1,629,668)	(135,553)	220,390	(1,544,831)
Infrastructure	<u>(76,680)</u>	<u>(1,091)</u>	<u>10,450</u>	<u>(67,321)</u>
Total accumulated depreciation	<u>(7,604,069)</u>	<u>(354,469)</u>	<u>1,472,324</u>	<u>(6,486,214)</u>
Governmental activities capital assets, net	<u>\$ 4,279,293</u>	<u>\$ (312,114)</u>	<u>\$ (479,252)</u>	<u>\$ 3,487,927</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 67,357
Special	9,341
Vocational	669
<u>Support services:</u>	
Pupil	5,984
Instructional staff	9,863
Administration	4,988
Operations and maintenance	70,132
Pupil transportation	145,246
Central	918
Extracurricular activities	28,539
Food service operations	<u>11,432</u>
Total depreciation expense	<u>\$ 354,469</u>

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2011, the District entered into a capitalized lease for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$221,313. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2013 totaled \$44,233 paid by the general fund. Accumulated depreciation as of June 30, 2013 was \$110,656 leaving a current book value of \$110,657.

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, 2013.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 54,156
2015	<u>54,157</u>
Total minimum lease payments	108,313
Less: amount representing interest	<u>(8,528)</u>
Total	<u>\$ 99,785</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS

A. The District's long-term obligations during fiscal year 2013 were as follows:

	Balance Outstanding			Balance Outstanding		Amounts Due in
	6/30/12	Additions	Reductions	6/30/13	One Year	
Governmental activities:						
Capital lease payable	\$ 144,018	\$ -	\$ (44,233)	\$ 99,785	\$	47,904
Retirement incentive	187,500	-	(187,500)	-	-	-
Compensated absences	<u>1,500,702</u>	<u>146,663</u>	<u>(344,350)</u>	<u>1,303,015</u>	<u>246,077</u>	<u>246,077</u>
Total long-term obligations, governmental activities	<u>\$ 1,832,220</u>	<u>\$ 146,663</u>	<u>\$ (576,083)</u>	<u>\$ 1,402,800</u>	<u>\$</u>	<u>293,981</u>

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

Retirement Incentive: During fiscal year 2012, the District offered a retirement incentive in the amount of \$7,500 and \$15,000 to classified and certified employees, respectively. The seven classified and nine certified employees who accepted the incentive were paid during fiscal year 2013.

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

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$30,424,738 and an unvoted debt margin of \$338,050.

NOTE 11 - REVENUE FROM OIL AND GAS LEASE

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2013, the District has contracted with the following insurance companies to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Indiana Insurance Company		
General liability:		
Each occurrence	\$ 1,000,000	\$ 1,000
Aggregate	2,000,000	1,000
Umbrella liability:		
Each occurrence	5,000,000	5,000
Aggregate	5,000,000	5,000
Fleet:		
Liability	1,000,000	-
Uninsured motorist	1,000,000	-
Medical pay	500	-
Comprehensive	-	250
Collision	-	500
Building and contents	56,213,000	5,000
Employee benefits:		
Each occurrence	1,000,000	1,000
Aggregate	3,000,000	1,000
Errors and omissions		
Each occurrence	1,000,000	2,500
Aggregate	1,000,000	2,500

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

B. Fidelity Bond

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2013, the District participated in the OASBO/OSBA CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

D. Employee Group Medical, Dental and Prescription Insurance

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

The employee share of the monthly premium is \$55 for individuals, \$75 for individuals with one insured dependent and \$95 for family coverage. Employee share is determined per negotiated union contracts and cannot be raised, except through negotiated agreement. The medical plan, dental coverage and prescription drug card are administered by Medical Mutual of Ohio located in Cleveland, Ohio. The total monthly premium is \$745.18 for individuals, \$1,486.80 for individuals with one insured dependent and \$2,175.36 for family coverage. This premium includes both the employee portion as listed above and the District's contribution.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 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 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$260,550, \$276,900, and \$282,402, respectively; 70.97 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$847,881, \$941,356, and \$972,220, respectively; 84.48 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$19,848 made by the District and \$14,177 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, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 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 2013, 0.16 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 2013, the actuarially determined amount was \$20,525.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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, 2013, 2012, and 2011 were \$36,659, \$56,300, and \$68,692, respectively; 70.97 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$14,718, \$16,352, and \$18,173, respectively; 70.97 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 2013, 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, 2013, 2012, and 2011 were \$65,222, \$72,412, and \$74,786, respectively; 84.48 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

- (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); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 547,116
Net adjustment for revenue accruals	233,310
Net adjustment for expenditure accruals	303,650
Funds budgeted elsewhere	(6,660)
Adjustment for encumbrances	302,683
GAAP basis	\$ 1,380,099

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

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 not involved in material litigation as either plaintiff or defendant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 17 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012 (restated)	\$ 22,146
Current year set-aside requirement	323,783
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(291,298)
Excess qualified expenditures from prior years	-
Current year offsets	(54,631)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

Capital lease principal paid from the general fund during fiscal year 2012 was not previously included among the District's qualified expenditures. The set-aside balance at June 30, 2012, has been restated to include the effects of \$40,843 in capital lease principal paid during fiscal year 2012 as a reduction to the set aside balance as previously reported.

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 263,212
Nonmajor governmental funds	8,674
Total	<u>\$ 271,886</u>

EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA No.	Receipts	Expenditures
U.S. Department of Agriculture				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non Cash Assistance:				
National School Lunch Program (Food Distribution)		10.555	\$30,782	\$30,782
Cash Assistance:				
National School Lunch Program	04-PU-13	10.555	357,997	357,997
School Breakfast Program	05-PU-13	10.553	227,325	227,325
Special Milk Program for Children	02-PU-13	10.556	<u>2,530</u>	<u>2,530</u>
Cash Assistance Subtotal			<u>587,852</u>	<u>587,852</u>
Total Nutrition Cluster (Cash and Non-Cash)			618,634	618,634
State Administrative Expenses for Child Nutrition		10.560		<u>2,000</u>
Total U.S. Department of Agriculture			<u>618,634</u>	<u>620,634</u>
U.S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-12 C1-S1-13	84.010	40,563 <u>463,843</u>	82,050 <u>464,349</u>
Total Title I - Grants to Local Education Agencies			504,406	546,399
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-12 6B-SF-13 tba13	84.027	127 367,387 40,000	37,088 366,813 40,000
Special Education - Preschool Grant	PG-S1-13	84.173	<u>14,177</u>	<u>15,002</u>
Total Special Education Cluster			421,691	458,903
Improving Teacher Quality State Grants (Title II-A)	TRS1-2012 TRS1-2013	84.367	27,867 <u>124,704</u>	30,339 <u>124,544</u>
Total Improving Teacher Quality State Grants (Title II-A)			152,571	154,883
Ohio Performance Assessment Pilot Grant	6910C-2013	84.395A	<u>4,000</u>	<u>4,000</u>
Total U.S. Department of Education			<u>1,082,668</u>	<u>1,164,185</u>
Total Federal Awards Receipts and Expenditures			<u><u>\$1,701,302</u></u>	<u><u>\$1,784,819</u></u>

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

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2013**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. CHILD NUTRITION CLUSTER

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

C. FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Edison Local School District, Jefferson County, (the "District") as of and for the year ended June 30, 2013, 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 3, 2014, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 3, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Edison Local School District's (the "District") compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Edison Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Edison Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

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 the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 3, 2014

**EDISON LOCAL SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3.FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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EDISON LOCAL SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 25, 2014**