



Dave Yost • Auditor of State

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY
JUNE 30, 2016**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis..... | 5 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 17 |
| Statement of Activities..... | 18 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 19 |
| Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities | 20 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds..... | 21 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – General Fund..... | 23 |
| Statement of Fiduciary Net Position – Fiduciary Funds..... | 24 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Fund | 25 |
| Notes to the Basic Financial Statements | 27 |
| Required Supplementary Information: | |
| Schedule of the District's Proportionate Share of the Net Pension Liability: | |
| School Employees Retirement System (SERS) of Ohio – Last Three Fiscal Years | 62 |
| State Teachers Retirement System (STRS) of Ohio – Last Three Fiscal Years | 63 |
| Schedule of District Contributions: | |
| School Employees Retirement System (SERS) of Ohio – Last Ten Fiscal Years..... | 64 |
| State Teachers Retirement System (STRS) of Ohio – Last Ten Fiscal Years | 66 |
| Notes to the Required Supplementary Information..... | 68 |

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**TABLE OF CONTENTS
(Continued)**

| TITLE | PAGE |
|---|-------------|
| Schedule of Expenditures of Federal Awards (Prepared by Management) | 69 |
| Notes to the Schedule of Expenditures of Federal Awards (Prepared by Management) | 70 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 71 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance..... | 73 |
| Schedule of Findings..... | 75 |



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Erie County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Erie County, Ohio, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension liabilities and pension contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 this 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 February 23, 2017, 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 initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

February 23, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016. 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 2016 are as follows:

- In total, net position of governmental activities increased \$1,911,838, which represents a 15.39% increase from fiscal year 2015.
- General revenues accounted for \$15,295,522 in revenue or 81.74% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,415,901 in revenue or 18.26% of total revenues of \$18,711,423.
- The District had \$16,799,585 in expenses related to governmental activities; only \$3,415,901 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,295,522 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$16,232,893 in revenues and \$14,649,415 in expenditures. The general fund also had an increase in nonspendable inventory in the amount of \$4,455. During fiscal year 2016, the general fund's fund balance increased \$1,587,933 from \$3,319,493 to \$4,907,426.
- The permanent improvement fund had \$843,383 in revenues and \$790,066 in expenditures. During fiscal year 2016, the permanent improvement fund's fund balance increased \$53,317 from \$1,590,846 to \$1,644,163.

Using the Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the permanent improvement fund.

Governmental Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in the District's 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. These activities are excluded from the District's other financial statements because the resources cannot be utilized by the District to finance its operations.

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..

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

| | <u>Net Position</u> | |
|--|---|---|
| | Governmental Activities <u>2016</u> | Governmental Activities <u>2015</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 15,546,462 | \$ 15,431,569 |
| Capital assets, net | <u>3,719,380</u> | <u>3,653,598</u> |
| Total assets | <u>19,265,842</u> | <u>19,085,167</u> |
| <u>Deferred Outflows of Resources</u> | | |
| Pension | <u>2,458,869</u> | <u>1,381,659</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 2,034,815 | 2,309,710 |
| Long-term liabilities: | | |
| Due within one year | 114,561 | 210,632 |
| Due within more than one year: | | |
| Net pension liability | 21,474,394 | 18,566,511 |
| Other amounts | <u>784,457</u> | <u>811,656</u> |
| Total liabilities | <u>24,408,227</u> | <u>21,898,509</u> |
| <u>Deferred Inflows of Resources</u> | | |
| Property taxes levied for the next fiscal year | 6,493,600 | 7,631,257 |
| Payment in lieu of taxes levied for the next fiscal year | 6,773 | 10,805 |
| Pension | <u>1,328,172</u> | <u>3,350,154</u> |
| Total deferred inflows of resources | <u>7,828,545</u> | <u>10,992,216</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 3,719,380 | 3,396,371 |
| Restricted | 1,800,074 | 1,976,763 |
| Unrestricted (deficit) | <u>(16,031,515)</u> | <u>(17,797,033)</u> |
| Total net position (deficit) | <u>\$ (10,512,061)</u> | <u>\$ (12,423,899)</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

During a prior year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

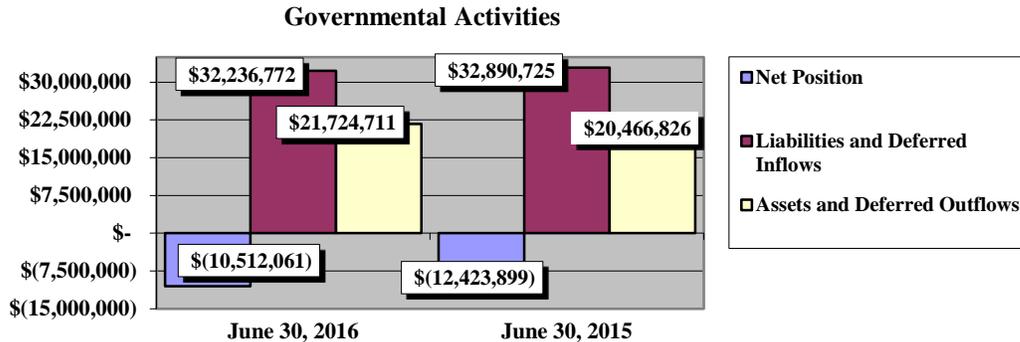
As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,512,061.

At fiscal year end, capital assets represented 19.31% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2016 was \$3,719,380. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,800,074, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$16,031,515).

The graph below illustrates the District's assets, deferred outflows of resources liabilities, deferred inflows of resources, and net position at June 30, 2016 and June 30, 2015.



The table below shows the changes in net position for governmental activities for fiscal years 2016 and 2015.

| | Change in Net Position | |
|------------------------------------|------------------------------------|------------------------------------|
| | Governmental Activities 2016 | Governmental Activities 2015 |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,752,978 | \$ 1,535,984 |
| Operating grants and contributions | 1,662,923 | 1,626,527 |
| General revenues: | | |
| Property taxes | 8,480,810 | 8,231,073 |
| Grants and entitlements | 6,655,451 | 6,610,459 |
| Investment earnings | 33,406 | 7,211 |
| Miscellaneous | 125,855 | 13,031 |
| Total revenues | <u>18,711,423</u> | <u>18,024,285</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

| | Change in Net Position (Continued) | |
|---|---|---|
| | Governmental Activities <u>2016</u> | Governmental Activities <u>2015</u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | 6,760,124 | 7,236,853 |
| Special | 2,174,156 | 1,999,548 |
| Vocational | 83,951 | 83,112 |
| Other | 1,036,238 | 1,157,402 |
| Support services: | | |
| Pupil | 711,749 | 828,716 |
| Instructional staff | 483,448 | 459,565 |
| Board of education | 110,128 | 80,103 |
| Administration | 1,251,293 | 1,238,908 |
| Fiscal | 475,218 | 354,464 |
| Operations and maintenance | 1,406,689 | 1,226,673 |
| Pupil transportation | 806,811 | 873,256 |
| Central | 57,195 | 155,063 |
| Operation of non-instructional services: | | |
| Other non-instructional services | 86,124 | 87,946 |
| Food service operations | 660,166 | 674,543 |
| Extracurricular activities | 696,199 | 669,336 |
| Interest and fiscal charges | <u>96</u> | <u>1,316</u> |
| Total expenses | <u>16,799,585</u> | <u>17,126,804</u> |
| Change in net position | 1,911,838 | 897,481 |
| Net position (deficit) at beginning of year | <u>(12,423,899)</u> | <u>(13,321,380)</u> |
| Net position (deficit) at end of year | <u><u>\$ (10,512,061)</u></u> | <u><u>\$ (12,423,899)</u></u> |

Governmental Activities

Net position of the District's governmental activities increased \$1,911,838. Total governmental expenses of \$16,799,585 were offset by program revenues of \$3,415,901 and general revenues of \$15,295,522. Program revenues supported 20.33% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 80.89% of the total governmental revenues.

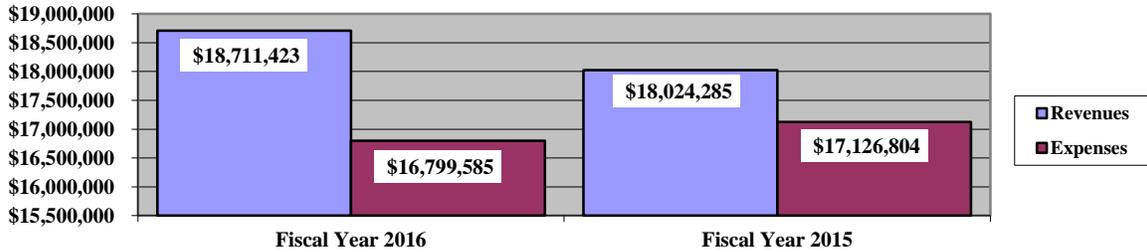
The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,054,469 or 59.85% of the total governmental expenses for fiscal year 2016.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2016 and 2015.

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 for fiscal years 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues of the District.

Governmental Activities

| | Total Cost of Services <u>2016</u> | Net Cost of Services <u>2016</u> | Total Cost of Services <u>2015</u> | Net Cost of Services <u>2015</u> |
|--|--|--|--|--|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 6,760,124 | \$ 5,697,175 | \$ 7,236,853 | \$ 6,299,809 |
| Special | 2,174,156 | 990,008 | 1,999,548 | 879,690 |
| Vocational | 83,951 | 76,041 | 83,112 | 72,775 |
| Other | 1,036,238 | 1,036,238 | 1,157,402 | 1,157,402 |
| Support services: | | | | |
| Pupil | 711,749 | 707,624 | 828,716 | 821,722 |
| Instructional staff | 483,448 | 471,287 | 459,565 | 449,375 |
| Board of education | 110,128 | 110,128 | 80,103 | 80,103 |
| Administration | 1,251,293 | 1,175,894 | 1,238,908 | 1,173,958 |
| Fiscal | 475,218 | 475,218 | 354,464 | 354,464 |
| Operations and maintenance | 1,406,689 | 1,405,875 | 1,226,673 | 1,226,072 |
| Pupil transportation | 806,811 | 788,306 | 873,256 | 836,662 |
| Central | 57,195 | 51,934 | 155,063 | 151,701 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 86,124 | 3,147 | 87,946 | (13,909) |
| Food service operations | 660,166 | 35,865 | 674,543 | 76,405 |
| Extracurricular activities | 696,199 | 358,848 | 669,336 | 396,748 |
| Interest and fiscal charges | 96 | 96 | 1,316 | 1,316 |
| Total expenses | <u>\$ 16,799,585</u> | <u>\$ 13,383,684</u> | <u>\$ 17,126,804</u> | <u>\$ 13,964,293</u> |

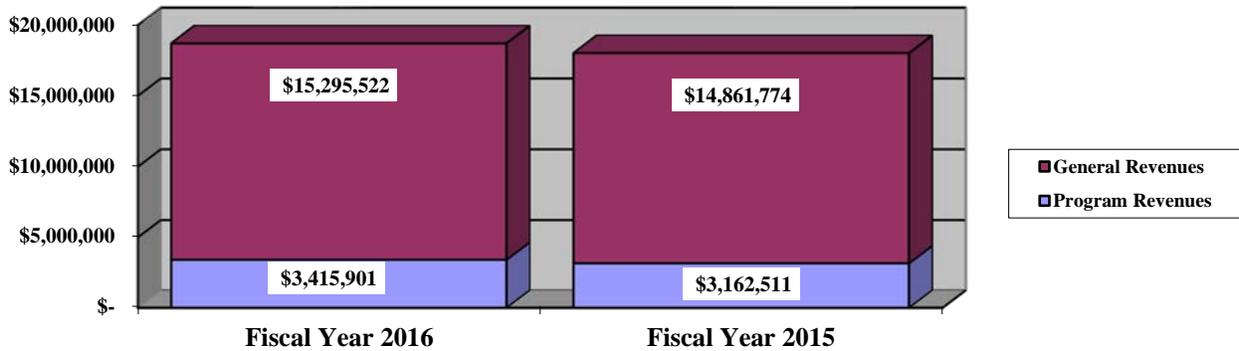
**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The dependence upon taxes and other general revenues for governmental activities is apparent, as 77.57% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.67%. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$6,664,548, which is more than last year's total of \$5,024,711. The table below indicates the fund balance and the total change in fund balance as of June 30, 2016 and June 30, 2015.

| | Fund Balance <u>June 30, 2016</u> | Fund Balance <u>June 30, 2015</u> | <u>Change</u> |
|-----------------------|--------------------------------------|--------------------------------------|---------------------|
| General | \$ 4,907,426 | \$ 3,319,493 | \$ 1,587,933 |
| Permanent improvement | 1,644,163 | 1,590,846 | 53,317 |
| Nonmajor governmental | <u>112,959</u> | <u>114,372</u> | <u>(1,413)</u> |
| Total | <u>\$ 6,664,548</u> | <u>\$ 5,024,711</u> | <u>\$ 1,639,837</u> |

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

General Fund

The District's general fund balance increased \$1,587,933.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

| | <u>2016</u> <u>Amount</u> | <u>2015</u> <u>Amount</u> | <u>Change</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|---------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 7,828,915 | \$ 7,651,726 | \$ 177,189 | 2.32 % |
| Tuition | 1,030,373 | 873,431 | 156,942 | 17.97 % |
| Earnings on investments | 33,408 | 6,920 | 26,488 | 382.77 % |
| Intergovernmental | 7,182,781 | 6,973,162 | 209,619 | 3.01 % |
| Other revenues | <u>157,416</u> | <u>134,218</u> | <u>23,198</u> | 17.28 % |
| Total | <u>\$ 16,232,893</u> | <u>\$ 15,639,457</u> | <u>\$ 593,436</u> | 3.79 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 9,504,409 | \$ 9,461,072 | \$ 43,337 | 0.46 % |
| Support services | 4,656,843 | 4,802,086 | (145,243) | (3.02) % |
| Operation of non-instructional services | - | 646 | (646) | 100.00 % |
| Extracurricular activities | 479,538 | 452,767 | 26,771 | 5.91 % |
| Debt service | <u>8,625</u> | <u>34,498</u> | <u>(25,873)</u> | (75.00) % |
| Total | <u>\$ 14,649,415</u> | <u>\$ 14,751,069</u> | <u>\$ (101,654)</u> | (0.69) % |

Overall general fund revenues increased \$593,439 or 3.79% and expenditures decreased \$101,654 or 0.69%. Tuition increased \$156,942 or 17.97% due to an increase in open enrollment in fiscal year 2016. Other revenues increased \$23,198 or 17.28% due an increase in extracurricular receipts. Debt service expenditures decreased \$25,873 or 75.00% because the final capital lease payments were made in fiscal year 2016. All other revenue and expenditure classifications remained comparable to the prior fiscal year.

Permanent Improvement Fund

The District's permanent improvement fund had \$843,383 in revenues and \$790,066 in expenditures. During fiscal year 2016, the permanent improvement fund's fund balance increased \$53,317 from \$1,590,846 to \$1,644,163. This increase was primarily due to capital outlay disbursements exceeding receipts due to purchases associated with the boiler room project.

General Fund Budgeting Highlights

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

For the general fund, the original and final budgeted revenues and other financing sources were \$15,156,786. Actual revenues and other financing sources for fiscal year 2016 were \$15,800,677. This represents a \$643,891 increase over final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$15,421,481 and final appropriations (appropriated expenditures plus other financing uses) were \$15,399,086. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$15,122,816, which was \$276,270 less than the final budgeted amounts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had \$3,719,380 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2016 balances compared to June 30, 2015.

| Capital Assets at June 30 (Net of Depreciation) | | |
|--|----------------------------|----------------------------|
| <u>Governmental Activities</u> | | |
| | <u>2016</u> | <u>2015</u> |
| Land | \$ 399,259 | \$ 399,259 |
| Construction in progress | 75,716 | 248,698 |
| Land improvements | 414,123 | 157,822 |
| Buildings and improvements | 1,658,084 | 1,757,579 |
| Furniture and equipment | 545,953 | 565,037 |
| Vehicles | <u>626,245</u> | <u>525,203</u> |
| Total | <u><u>\$ 3,719,380</u></u> | <u><u>\$ 3,653,598</u></u> |

Total additions to capital assets for fiscal year 2016 were \$407,094 (excluding changes in construction in progress). The District recorded \$311,998 in depreciation expense for fiscal year 2016 and \$29,314 in disposals, net of accumulated depreciation (excluding changes in construction in progress). The overall change in capital assets was an increase of \$65,782.

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

Debt Administration

At June 30, 2016, the District had no further capital lease obligations outstanding.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Current Financial Related Activities

The District continues to face the same financial challenges that face every school district in Ohio. We try to maximize student achievement and success while working within the confines of our budget. With enrollment declining, we are constantly watching our class sizes and looking for ways to cut. The primary financial resources for the District remain the same; local property taxes, and State and federal support along with other local receipts such as fees, etc. Expenses are driven mainly by personnel costs (salaries and fringe benefits) used to promote student achievement.

The District boundaries are contained as part of two counties, Huron and Erie, with the majority of the property located in Erie County. The District's largest property tax classification is residential and agricultural real estate. The effective tax rate remains slightly above the 20 mill floor for this classification of property. The District has used emergency property tax levies in part to retain the growth of our revenue.

In May of 2013, the District passed a 7.9 mill emergency operating levy. The District had failed its last eight attempts to pass a levy, so the passage of this levy was a huge positive to the District's outlook for the future. We continue to maximize the revenue and decrease the expenses whenever possible to reap the benefits this levy has provided for a longer period of time. With a new biennium budget in the works, we will see how we come out, along with a new president. Although we are seeing some growth in this budget, we continue losing funding in the Tangible Personal Property Tax Reimbursement.

The District has contracts with both ETA and OAPSE that were negotiated from July 1, 2016 – June 30, 2018. The district gave a 2% increase on salary to both unions. Insurance increases were only 5% for this current 2016-17 school year which was great.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2016

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 7,022,949 |
| Receivables: | |
| Property taxes | 8,287,428 |
| Payment in lieu of taxes | 6,773 |
| Accounts | 590 |
| Accrued interest | 665 |
| Intergovernmental | 162,158 |
| Prepayments | 40,910 |
| Materials and supplies inventory | 23,582 |
| Inventory held for resale | 1,407 |
| Capital assets: | |
| Nondepreciable capital assets | 647,957 |
| Depreciable capital assets, net | 3,071,423 |
| Capital assets, net | 3,719,380 |
| Total assets | 19,265,842 |
| Deferred outflows of resources: | |
| Pension - STRS | 1,998,618 |
| Pension - SERS | 460,251 |
| Total deferred outflows of resources | 2,458,869 |
| Liabilities: | |
| Accounts payable | 149,419 |
| Contracts payable | 75,716 |
| Accrued wages and benefits payable | 1,491,482 |
| Intergovernmental payable | 82,201 |
| Pension and postemployment benefits payable | 235,997 |
| Long-term liabilities: | |
| Due within one year | 114,561 |
| Due in more than one year: | |
| Net pension liability | 21,474,394 |
| Other amounts due in more than one year | 784,457 |
| Total liabilities | 24,408,227 |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year | 6,493,600 |
| Payment in lieu of taxes levied for the next fiscal year | 6,773 |
| Pension - STRS | 1,197,337 |
| Pension - SERS | 130,835 |
| Total deferred inflows of resources | 7,828,545 |
| Net position: | |
| Net investment in capital assets | 3,719,380 |
| Restricted for: | |
| Capital projects | 1,660,356 |
| Locally funded programs | 32,005 |
| State funded programs | 22,969 |
| Federally funded programs | 3,497 |
| Student activities | 49,183 |
| Other purposes | 32,064 |
| Unrestricted (deficit) | (16,031,515) |
| Total net position (deficit) | \$ (10,512,061) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position Governmental Activities |
|--|----------------------|-----------------------------------|---------------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 6,760,124 | \$ 1,038,423 | \$ 24,526 | \$ (5,697,175) |
| Special | 2,174,156 | 68,197 | 1,115,951 | (990,008) |
| Vocational | 83,951 | - | 7,910 | (76,041) |
| Other | 1,036,238 | - | - | (1,036,238) |
| Support services: | | | | |
| Pupil | 711,749 | 173 | 3,952 | (707,624) |
| Instructional staff | 483,448 | 73 | 12,088 | (471,287) |
| Board of education | 110,128 | - | - | (110,128) |
| Administration | 1,251,293 | 5,378 | 70,021 | (1,175,894) |
| Fiscal | 475,218 | - | - | (475,218) |
| Operations and maintenance | 1,406,689 | 814 | - | (1,405,875) |
| Pupil transportation | 806,811 | - | 18,505 | (788,306) |
| Central | 57,195 | - | 5,261 | (51,934) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 86,124 | 37,325 | 45,652 | (3,147) |
| Food service operations | 660,166 | 285,708 | 338,593 | (35,865) |
| Extracurricular activities | 696,199 | 316,887 | 20,464 | (358,848) |
| Interest and fiscal charges | 96 | - | - | (96) |
| Total governmental activities | \$ 16,799,585 | \$ 1,752,978 | \$ 1,662,923 | (13,383,684) |
| General revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | 7,852,905 |
| Capital outlay | | | | 627,905 |
| Grants and entitlements not restricted to specific programs | | | | |
| Investment earnings | | | | 6,655,451 |
| Miscellaneous | | | | 33,406 |
| | | | | 125,855 |
| Total general revenues | | | | 15,295,522 |
| Change in net position | | | | 1,911,838 |
| Net position (deficit) at beginning of year | | | | (12,423,899) |
| Net position (deficit) at end of year | | | | \$ (10,512,061) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

| | General | Permanent Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------|-----------------------------------|--------------------------------|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 5,127,341 | \$ 1,652,063 | \$ 243,545 | \$ 7,022,949 |
| Receivables: | | | | |
| Property taxes | 7,683,068 | 604,360 | - | 8,287,428 |
| Payment in lieu of taxes. | 6,773 | - | - | 6,773 |
| Accounts. | 400 | - | 190 | 590 |
| Accrued interest | 665 | - | - | 665 |
| Interfund loans | 8,654 | - | - | 8,654 |
| Intergovernmental | 86,368 | - | 75,790 | 162,158 |
| Prepayments. | 39,562 | - | 1,348 | 40,910 |
| Materials and supplies inventory. | 21,050 | - | 2,532 | 23,582 |
| Inventory held for resale. | - | - | 1,407 | 1,407 |
| Total assets | <u>\$ 12,973,881</u> | <u>\$ 2,256,423</u> | <u>\$ 324,812</u> | <u>\$ 15,555,116</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 86,667 | \$ 51,206 | \$ 11,546 | \$ 149,419 |
| Contracts payable. | - | 75,716 | - | 75,716 |
| Accrued wages and benefits payable | 1,376,489 | - | 114,993 | 1,491,482 |
| Compensated absences payable | - | - | 5,643 | 5,643 |
| Intergovernmental payable | 80,660 | - | 1,541 | 82,201 |
| Pension and postemployment benefits payable | 200,972 | - | 35,025 | 235,997 |
| Interfund loans payable. | - | - | 8,654 | 8,654 |
| Total liabilities. | <u>1,744,788</u> | <u>126,922</u> | <u>177,402</u> | <u>2,049,112</u> |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next fiscal year. | 6,024,455 | 469,145 | - | 6,493,600 |
| Payment in lieu of taxes levied for the next fiscal year | 6,773 | - | - | 6,773 |
| Delinquent property tax revenue not available. | 203,616 | 16,193 | - | 219,809 |
| Intergovernmental revenue not available. | 86,158 | - | 34,451 | 120,609 |
| Accrued interest not available. | 665 | - | - | 665 |
| Total deferred inflows of resources | <u>6,321,667</u> | <u>485,338</u> | <u>34,451</u> | <u>6,841,456</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Materials and supplies inventory. | 21,050 | - | 2,532 | 23,582 |
| Prepays. | 39,562 | - | 1,348 | 40,910 |
| Unclaimed monies | 3,598 | - | - | 3,598 |
| Restricted: | | | | |
| Capital improvements | - | 1,644,163 | - | 1,644,163 |
| Food service operations | - | - | 63,553 | 63,553 |
| Other purposes. | - | - | 54,975 | 54,975 |
| Extracurricular. | - | - | 48,278 | 48,278 |
| Assigned: | | | | |
| Student instruction | 78,080 | - | - | 78,080 |
| Student and staff support. | 157,057 | - | - | 157,057 |
| Public school support | 93,472 | - | - | 93,472 |
| Unassigned (deficit) | 4,514,607 | - | (57,727) | 4,456,880 |
| Total fund balances | <u>4,907,426</u> | <u>1,644,163</u> | <u>112,959</u> | <u>6,664,548</u> |
| Total liabilities, deferred inflows and fund balances. | <u>\$ 12,973,881</u> | <u>\$ 2,256,423</u> | <u>\$ 324,812</u> | <u>\$ 15,555,116</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

| | | | |
|---|----|--------------|--------------|
| Total governmental fund balances | | \$ | 6,664,548 |
| <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. | | | 3,719,380 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds. | | | |
| Property taxes receivable | \$ | 219,809 | |
| Accrued interest receivable | | 665 | |
| Intergovernmental receivable | | 120,609 | |
| Total | | 120,609 | 341,083 |
| Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Compensated absences | | (893,375) | |
| Total | | (893,375) | (893,375) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds: | | | |
| Deferred outflows of resources - pension | | 2,458,869 | |
| Deferred inflows of resources - pension | | (1,328,172) | |
| Net pension liability | | (21,474,394) | |
| | | | (20,343,697) |
| Net position (deficit) of governmental activities | | \$ | (10,512,061) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | <u>General</u> | <u>Permanent Improvement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------------|--|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 7,828,915 | \$ 625,979 | \$ - | \$ 8,454,894 |
| Tuition. | 1,030,373 | - | 77,352 | 1,107,725 |
| Earnings on investments | 33,408 | - | 89 | 33,497 |
| Charges for services | - | - | 285,708 | 285,708 |
| Extracurricular. | 104,703 | - | 212,184 | 316,887 |
| Classroom materials and fees | 41,844 | - | - | 41,844 |
| Rental income | 814 | - | - | 814 |
| Contributions and donations | - | 115,800 | 19,425 | 135,225 |
| Other local revenues | 10,055 | - | 11,995 | 22,050 |
| Intergovernmental - intermediate | - | - | 9,892 | 9,892 |
| Intergovernmental - state | 7,014,684 | 101,604 | 81,206 | 7,197,494 |
| Intergovernmental - federal | 168,097 | - | 947,118 | 1,115,215 |
| Total revenues | <u>16,232,893</u> | <u>843,383</u> | <u>1,644,969</u> | <u>18,721,245</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular. | 6,807,357 | 80,337 | 17,466 | 6,905,160 |
| Special | 1,575,703 | - | 604,553 | 2,180,256 |
| Vocational | 85,096 | - | - | 85,096 |
| Other | 1,036,253 | - | - | 1,036,253 |
| Support services: | | | | |
| Pupil | 726,984 | - | 4,294 | 731,278 |
| Instructional staff | 382,398 | 74,930 | 12,660 | 469,988 |
| Board of education | 110,307 | - | - | 110,307 |
| Administration | 1,194,787 | - | 68,201 | 1,262,988 |
| Fiscal | 404,579 | 71,668 | - | 476,247 |
| Operations and maintenance | 1,072,058 | - | - | 1,072,058 |
| Pupil transportation | 712,219 | 165,270 | - | 877,489 |
| Central | 53,511 | - | 4,254 | 57,765 |
| Operation of non-instructional services: | | | | |
| Other services non-instructional | - | - | 87,208 | 87,208 |
| Food service operations. | - | - | 652,022 | 652,022 |
| Extracurricular activities | 479,538 | - | 194,683 | 674,221 |
| Facilities acquisition and construction. | - | 397,861 | - | 397,861 |
| Debt service: | | | | |
| Principal retirement. | 8,529 | - | - | 8,529 |
| Interest and fiscal charges | 96 | - | - | 96 |
| Total expenditures | <u>14,649,415</u> | <u>790,066</u> | <u>1,645,341</u> | <u>17,084,822</u> |
| Net change in fund balances | 1,583,478 | 53,317 | (372) | 1,636,423 |
| Fund balances at beginning of year. | 3,319,493 | 1,590,846 | 114,372 | 5,024,711 |
| Increase (decrease) in reserve for inventory | 4,455 | - | (1,041) | 3,414 |
| Fund balances at end of year | <u>\$ 4,907,426</u> | <u>\$ 1,644,163</u> | <u>\$ 112,959</u> | <u>\$ 6,664,548</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | | |
|--|------------------|--------------------------------|
| Net change in fund balances - total governmental funds | \$ | 1,636,423 |
| <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 | \$ 407,094 | |
| Current year depreciation | <u>(311,998)</u> | |
| Total | | 95,096 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (29,314) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | |
| | | 3,414 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | 25,916 | |
| Earnings on investments | (2) | |
| Intergovernmental | <u>(35,736)</u> | |
| Total | | (9,822) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amount as deferred outflows. | | |
| | | 1,287,326 |
| Except for amounts reported as deferred inflows/ outflows, changes in the net pension liability are reported as pension expense in the statement of activities | | |
| | | (1,096,017) |
| Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| | | 8,529 |
| 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. | | |
| Decrease in compensated absences | | <u>16,203</u> |
| Change in net position of governmental activities | \$ | <u><u>1,911,838</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual | Variance with |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 7,377,197 | \$ 7,292,821 | \$ 7,428,341 | \$ 135,520 |
| Payment in lieu of taxes. | 6,773 | 6,773 | 6,773 | - |
| Tuition. | 883,462 | 805,014 | 1,030,374 | 225,360 |
| Earnings on investments | 3,212 | 3,175 | 33,008 | 29,833 |
| Classroom materials and fees | 38,409 | 37,970 | 41,844 | 3,874 |
| Rental income | 608 | 601 | 814 | 213 |
| Contributions and donations | 1,214 | 1,200 | - | (1,200) |
| Other local revenues | 6,782 | 6,627 | 2,430 | (4,197) |
| Intergovernmental - state | 6,790,574 | 6,954,605 | 7,066,511 | 111,906 |
| Intergovernmental - federal | 48,555 | 48,000 | 168,097 | 120,097 |
| Total revenues | <u>15,156,786</u> | <u>15,156,786</u> | <u>15,778,192</u> | <u>621,406</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 11,573,389 | 11,558,568 | 7,064,733 | 4,493,835 |
| Special. | 712,546 | 712,833 | 1,580,112 | (867,279) |
| Vocational. | 12,733 | 13,091 | 93,070 | (79,979) |
| Other. | 1,038,679 | 1,035,317 | 1,036,560 | (1,243) |
| Support services: | | | | |
| Pupil. | 474,212 | 475,669 | 745,824 | (270,155) |
| Instructional staff | 142,972 | 160,033 | 383,040 | (223,007) |
| Board of education | 93,343 | 93,639 | 118,848 | (25,209) |
| Administration. | 163,175 | 155,532 | 1,208,656 | (1,053,124) |
| Fiscal | 112,357 | 85,595 | 400,561 | (314,966) |
| Operations and maintenance. | 637,901 | 638,330 | 1,230,975 | (592,645) |
| Pupil transportation | 338,895 | 339,095 | 773,970 | (434,875) |
| Central. | 103,267 | 103,431 | 55,418 | 48,013 |
| Extracurricular activities. | 18,012 | 17,953 | 422,395 | (404,442) |
| Total expenditures | <u>15,421,481</u> | <u>15,389,086</u> | <u>15,114,162</u> | <u>274,924</u> |
| Excess (deficiency) of revenues over (under) expenditures. | (264,695) | (232,300) | 664,030 | 896,330 |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | - | - | 22,485 | 22,485 |
| Advances (out) | - | (10,000) | (8,654) | 1,346 |
| Total other financing sources (uses) | - | (10,000) | 13,831 | 23,831 |
| Net change in fund balance | (264,695) | (242,300) | 677,861 | 920,161 |
| Fund balance at beginning of year | 3,667,901 | 3,667,901 | 3,667,901 | - |
| Prior year encumbrances appropriated | 360,320 | 360,320 | 360,320 | - |
| Fund balance at end of year | <u>\$ 3,763,526</u> | <u>\$ 3,785,921</u> | <u>\$ 4,706,082</u> | <u>\$ 920,161</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

| | Private-Purpose Trust | |
|---|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Current assets: | | |
| Equity in pooled cash and cash equivalents | \$ 93,651 | \$ 73,790 |
| Prepayments | - | 2,000 |
| Total assets. | 93,651 | \$ 75,790 |
| Liabilities: | | |
| Accounts payable. | \$ - | \$ 831 |
| Due to students. | - | 74,959 |
| Total liabilities | - | \$ 75,790 |
| Net position: | | |
| Held in trust for scholarships | 93,651 | |
| Total net position. | \$ 93,651 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | Private-Purpose Trust |
|---|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest | \$ 210 |
| Total additions. | 210 |
| Deductions: | |
| Scholarships awarded | 1,400 |
| Change in net position | (1,190) |
| Net position at beginning of year. | 94,841 |
| Net position at end of year | \$ 93,651 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Edison Local School District (the "District") is located in Erie and Huron Counties and encompasses the Villages of Milan and Berlin Heights and portions of surrounding townships.

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

The District currently operates one elementary school, one middle school, and one comprehensive high school. The District employs 88 non-certified and 95 certified employees to provide services to 1,398 students in preschool and grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of various school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the BACG are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of the BACG consists of the Superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the Superintendent of the fiscal agent, and two non-voting members (administrator and fiscal agent). Members of the Board of Directors serve staggered two-year terms. During the fiscal year, the District paid the BACG \$27,368 for services. Financial information can be obtained by contacting the North Point Educational Service Center, who serves as fiscal agent, at 1210 East Bogart Road, Sandusky, Ohio 44870.

EHOVE Career Center

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

Northern Ohio Educational Computer Association (NOECA)

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, serving as a computer consortium. NOECA is an association of various public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the Chairman of each of the operating committees, and a representative from the fiscal agent. During the fiscal year, the District paid NOECA \$66,327 for services. Financial information can be obtained by contacting NOECA's fiscal agent, the North Point Educational Service Center, Matt Bauer, who serves as Controller, at 1210 East Bogart Road, Sandusky, Ohio 44870.

RELATED ORGANIZATION

Milan-Berlin Township Public Library

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

PUBLIC ENTITY RISK POOLS

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

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

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

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

Huron-Erie School Employees Insurance Association

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 13 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

2. By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission for tax rate determination. The Erie County Commissioners waived this requirement for fiscal year 2016.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2016.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the function level of expenditures. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2016. All amounts reported in the budgetary statement reflect the original and final appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

F. Cash and Investments

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

During fiscal year 2016, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

During fiscal year 2016, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$33,408, which includes \$10,217 assigned from other District funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000. The District does not possess infrastructure.

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

| <u>Description</u> | Governmental Activities <u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 10 - 50 years |
| Buildings and improvements | 25 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 6 - 8 years |

I. Interfund Balances

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

J. Compensated Absences

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

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

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Any applicable amounts are recorded in the account "compensated absences payable" in the funds from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension obligations that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Capital lease obligations are recognized as liabilities in the fund financial statements when due.

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

M. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District had no net position restricted due to enabling legislation. The amount restricted for other purposes represents amounts restricted for food service operations.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The District participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|-------------------------|----------------|
| Public School Preschool | \$ 14,941 |
| IDEA Part B | 12,537 |
| Title I | 30,249 |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At June 30, 2016, the District had \$4,350 in undeposited cash on hand, which is included on the basic financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$4,664,515. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$376,569 of the District's bank balance of \$4,302,230 was exposed to custodial risk as discussed below, while \$3,663,142 was covered by the FDIC.

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

C. Investments

As of June 30, 2016, the District had the following investment and maturity:

| | Investment Maturity 6 Months or | |
|------------------------|---------------------------------------|--------------|
| <u>Investment type</u> | <u>Fair Value</u> | <u>Less</u> |
| STAR Ohio | \$ 2,521,525 | \$ 2,521,525 |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio | \$ 2,521,525 | 100.00 |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

| <u>Cash and investments per note</u> | |
|---|---------------------|
| Carrying amount of deposits | \$ 4,664,515 |
| Investments | 2,521,525 |
| Cash on hand | <u>4,350</u> |
| Total | <u>\$ 7,190,390</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 7,022,949 |
| Private-purpose trust funds | 93,651 |
| Agency funds | <u>73,790</u> |
| Total | <u>\$ 7,190,390</u> |

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund statements:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|----------------------------|-----------------|
| General fund | Nonmajor governmental fund | <u>\$ 8,654</u> |

This interfund balance will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Erie and Huron Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$1,454,997 in the general fund and \$119,022 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$1,054,422 in the general fund and \$87,151 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2016 taxes were collected are:

| | 2015 Second Half Collections | | 2016 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 212,214,290 | 93.92 | \$ 224,112,430 | 93.87 |
| Public utility personal | <u>13,739,230</u> | <u>6.08</u> | <u>14,625,890</u> | <u>6.13</u> |
| Total | <u>\$ 225,953,520</u> | <u>100.00</u> | <u>\$ 238,738,320</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation: | | | | |
| General | \$ 69.50 | | \$ 68.39 | |
| Permanent improvement | 3.50 | | 3.50 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

| | |
|--------------------------|---------------------|
| Property taxes | \$ 8,287,428 |
| Payment in lieu of taxes | 6,773 |
| Accounts | 590 |
| Accrued interest | 665 |
| Intergovernmental | <u>162,158</u> |
| Total | <u>\$ 8,457,614</u> |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

| | Balance <u>July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>June 30, 2016</u> |
|---|--------------------------------|-------------------|---------------------|---------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 399,259 | \$ - | \$ - | \$ 399,259 |
| Construction in progress | <u>248,698</u> | <u>75,716</u> | <u>(248,698)</u> | <u>75,716</u> |
| Total capital assets, not being depreciated | <u>647,957</u> | <u>75,716</u> | <u>(248,698)</u> | <u>474,975</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 994,841 | 268,198 | - | 1,263,039 |
| Buildings and improvements | 7,956,552 | 23,800 | - | 7,980,352 |
| Furniture and equipment | 2,198,115 | 91,513 | (25,366) | 2,264,262 |
| Vehicles | <u>1,588,596</u> | <u>196,565</u> | <u>(106,478)</u> | <u>1,678,683</u> |
| Total capital assets, being depreciated | <u>12,738,104</u> | <u>580,076</u> | <u>(131,844)</u> | <u>13,186,336</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (837,019) | (11,897) | - | (848,916) |
| Buildings and improvements | (6,198,973) | (123,295) | - | (6,322,268) |
| Furniture and equipment | (1,633,078) | (91,931) | 6,700 | (1,718,309) |
| Vehicles | <u>(1,063,393)</u> | <u>(84,875)</u> | <u>95,830</u> | <u>(1,052,438)</u> |
| Total accumulated depreciation | <u>(9,732,463)</u> | <u>(311,998)</u> | <u>102,530</u> | <u>(9,941,931)</u> |
| Governmental activities capital assets, net | <u>\$ 3,653,598</u> | <u>\$ 343,794</u> | <u>\$ (278,012)</u> | <u>\$ 3,719,380</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 113,427 |
| <u>Support services:</u> | |
| Pupil | |
| Instructional staff | 25,242 |
| Operations and maintenance | 52,876 |
| Pupil transportation | 83,593 |
| Extracurricular activities | 29,501 |
| Food service operations | <u>7,359</u> |
| Total depreciation expense | <u>\$ 311,998</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE

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

Capital assets consisting of copier equipment have been capitalized in the amount of \$154,623. This amount represents the present value of the minimum lease payments at the time of acquisition. This equipment has been fully depreciated as of June 30, 2016. Principal and interest payments in fiscal year 2016 totaled \$8,529 and \$96, respectively, paid by the general fund. As of June 30, 2016 there were no further outstanding obligations due.

NOTE 10- LONG-TERM OBLIGATIONS

A. During fiscal year 2016, the following changes occurred in governmental activities long-term obligations:

| | Balance Outstanding <u>July 1, 2015</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>June 30, 2016</u> | Amounts Due in <u>One Year</u> |
|---|---|---------------------|-------------------|--|--------------------------------------|
| Governmental activities: | | | | | |
| Capital lease obligations | \$ 8,529 | \$ - | \$ (8,529) | \$ - | \$ - |
| Net pension liability | 18,566,511 | 2,907,883 | - | 21,474,394 | - |
| Compensated absences | <u>1,013,759</u> | <u>213,099</u> | <u>234,655</u> | <u>899,018</u> | <u>114,561</u> |
| Total long-term obligations, governmental activities | <u>\$ 19,588,799</u> | <u>\$ 3,120,982</u> | <u>\$ 226,126</u> | <u>\$ 22,373,412</u> | <u>\$ 114,561</u> |

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

Net Pension Liability: See Note 13 for details.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10- LONG-TERM OBLIGATIONS – (Continued)

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, 2016, are a voted debt margin of \$21,486,449 and an unvoted debt margin of \$238,738.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Vacation Leave

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

B. Sick Leave and Severance

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 11 - OTHER EMPLOYEE BENEFITS – (Continued)

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

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents, liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The amount of insurance coverage has been maintained or increased over the last several years.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents, liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The amount of insurance coverage has been maintained or increased over the last several years.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT - (Continued)

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13 for those employees who have retired; or by Federal Continuation of Benefits, provided the participant continues to make premium contributions to the Association. The District is no longer financially responsible for the future premiums or claims in each of the aforementioned situations.

For fiscal year 2016, the District, again, participated in the Ohio School Boards Association Workers' Compensation Program (the "Program"). The third party administrator for the Program was CompManagement, Inc., a subsidiary of Sedgwick CMS Company. The intent of the Program is to assist the District to manage workers' compensation claims, the associated costs, and to potentially improve the District's risk management of worker related injuries. Participation in the Program is limited to school districts that can meet the Ohio School Boards Association's eligibility criteria.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$314,116 for fiscal year 2016. Of this amount, \$42,403 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$973,210 for fiscal year 2016. Of this amount, \$155,432 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|--------------------|--------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.07374200% | 0.06098832% | |
| Proportion of the net pension liability current measurement date | <u>0.07575220%</u> | <u>0.06206120%</u> | |
| Change in proportionate share | <u>0.00201020%</u> | <u>0.00107288%</u> | |
| Proportionate share of the net pension liability | \$ 4,322,494 | \$ 17,151,900 | \$ 21,474,394 |
| Pension expense | \$ 301,771 | \$ 794,246 | \$ 1,096,017 |

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 69,033 | \$ 780,025 | \$ 849,058 |
| Changes in proportionate share | 77,102 | 245,383 | 322,485 |
| District contributions subsequent to the measurement date | <u>314,116</u> | <u>973,210</u> | <u>1,287,326</u> |
| Total deferred outflows of resources | <u>\$ 460,251</u> | <u>\$ 1,998,618</u> | <u>\$ 2,458,869</u> |
| Deferred inflows of resources | | | |
| Net difference between projected and actual earnings on pension plan investments | <u>\$ 130,835</u> | <u>\$ 1,197,337</u> | <u>\$ 1,328,172</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$1,287,326 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|------------------|---------------------|---------------------|
| 2017 | \$ (23,548) | \$ (205,582) | \$ (229,130) |
| 2018 | (23,548) | (205,582) | (229,130) |
| 2019 | (23,549) | (205,585) | (229,134) |
| 2020 | <u>85,945</u> | <u>444,820</u> | <u>530,765</u> |
| Total | <u>\$ 15,300</u> | <u>\$ (171,929)</u> | <u>\$ (156,629)</u> |

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22.00 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | <u>15.00</u> | 7.50 |
| Total | <u>100.00 %</u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

| | 1% Decrease (6.75%) | Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|--------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 5,993,746 | \$ 4,322,494 | \$ 2,915,162 |

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--------------------------------------|--|
| Inflation | 2.75 percent |
| Projected salary increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 23,825,283 | \$ 17,151,900 | \$ 11,508,560 |

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$38,163.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$38,163, \$55,205, and \$38,033, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$64,731, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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 | \$ 677,861 |
| Net adjustment for revenue accruals | 348,926 |
| Net adjustment for expenditure accruals | 213,514 |
| Net adjustment for other sources/uses | (13,831) |
| Funds budgeted elsewhere | 33,906 |
| Adjustment for encumbrances | 323,102 |
| GAAP basis | \$ 1,583,478 |

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

NOTE 16 - CONTINGENCIES

A. Grants

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 – CONTINGENCIES – (Continued)

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 17 - SET-ASIDES

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

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, 2015 | |
| Current year set-aside requirement | 253,441 |
| Current year offsets | <u>(695,712)</u> |
| Total | <u>\$ (442,271)</u> |
| Balance carried forward to fiscal year 2017 | <u>\$ -</u> |
| Set-aside balance June 30, 2016 | <u><u>\$ -</u></u> |

Although the District has offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18 - COMMITMENTS

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

| <u>Fund</u> | <u>Year End Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund | \$ 238,553 |
| Permanent improvement fund | 255,660 |
| Nonmajor governmental funds | <u>54,246</u> |
| Total | <u>\$ 548,459</u> |

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.07575220% | 0.07374200% | 0.07374200% |
| District's proportionate share of the net pension liability | \$ 4,322,494 | \$ 3,732,041 | \$ 4,385,200 |
| District's covered-employee payroll | \$ 2,280,539 | \$ 2,142,807 | \$ 2,101,785 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 189.54% | 174.17% | 208.64% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.16% | 71.70% | 65.52% |

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.06206120% | 0.06098832% | 0.06098832% |
| District's proportionate share of the net pension liability | \$ 17,151,900 | \$ 14,834,470 | \$ 17,670,724 |
| District's covered-employee payroll | \$ 6,475,043 | \$ 6,231,323 | \$ 6,345,869 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 264.89% | 238.06% | 278.46% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.10% | 74.70% | 69.30% |

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 314,116 | \$ 300,575 | \$ 296,993 | \$ 290,887 |
| Contributions in relation to the contractually required contribution | <u>(314,116)</u> | <u>(300,575)</u> | <u>(296,993)</u> | <u>(290,887)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 2,243,686 | \$ 2,280,539 | \$ 2,142,807 | \$ 2,101,785 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 13.18% | 13.86% | 13.84% |

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 294,659 | \$ 254,707 | \$ 274,737 | \$ 207,573 | \$ 195,966 | \$ 206,403 |
| <u>(294,659)</u> | <u>(254,707)</u> | <u>(274,737)</u> | <u>(207,573)</u> | <u>(195,966)</u> | <u>(206,403)</u> |
| <u>\$ -</u> |
| \$ 2,190,773 | \$ 2,026,309 | \$ 2,029,077 | \$ 2,109,482 | \$ 1,995,580 | \$ 1,932,612 |
| 13.45% | 12.57% | 13.54% | 9.84% | 9.82% | 10.68% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

| | LAST TEN FISCAL YEARS | | | |
|--|-----------------------|------------------|------------------|------------------|
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Contractually required contribution | \$ 973,210 | \$ 906,506 | \$ 810,072 | \$ 824,963 |
| Contributions in relation to the contractually required contribution | <u>(973,210)</u> | <u>(906,506)</u> | <u>(810,072)</u> | <u>(824,963)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 6,951,500 | \$ 6,475,043 | \$ 6,231,323 | \$ 6,345,869 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 13.00% | 13.00% |

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 818,874 | \$ 860,574 | \$ 887,793 | \$ 843,933 | \$ 801,715 | \$ 789,213 |
| <u>(818,874)</u> | <u>(860,574)</u> | <u>(887,793)</u> | <u>(843,933)</u> | <u>(801,715)</u> | <u>(789,213)</u> |
| <u>\$ -</u> |
| \$ 6,299,031 | \$ 6,619,800 | \$ 6,829,177 | \$ 6,491,792 | \$ 6,167,038 | \$ 6,070,869 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal CFDA Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---------------------------|---------------------------------------|-------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| <u>Child Nutrition Cluster:</u> | | | |
| School Breakfast Program | 10.553 | | \$ 62,620 |
| National School Lunch Program | | | |
| Non-Cash Assistance (Food Distribution) | 10.555 | | 40,909 |
| Cash Assistance | 10.555 | | 235,261 |
| Total National School Lunch Program | | | <u>276,170</u> |
| Total Child Nutrition Cluster | | | <u>338,790</u> |
| Team Nutrition Grants | 10.574 | | <u>5,889</u> |
| Total U.S. Department of Agriculture | | | <u>344,679</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| <u>Special Education Cluster (IDEA):</u> | | | |
| Special Education - Preschool Grants | 84.173 | | 16,493 |
| Special Education - Grants to States | 84.027 | | 272,545 |
| Total Special Education Cluster (IDEA) | | | <u>289,038</u> |
| Title I Grants to Local Educational Agencies | 84.010 | \$ 3,121 | 326,121 |
| Improving Teacher Quality State Grants | 84.367 | | <u>19,367</u> |
| Total U.S. Department of Education | | <u>3,121</u> | <u>634,526</u> |
| Total Expenditures of Federal Awards | | <u>\$ 3,121</u> | <u>\$ 979,205</u> |

The accompanying notes are an integral part of this schedule.

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Edison Local School District (the District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The District passes certain federal awards received from the U.S. Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Erie County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2017.

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

February 23, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Edison Local School District, Erie County, Ohio's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Edison Local School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Edison Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 23, 2017

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

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 weaknesses in internal control 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 weaknesses in internal control 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 2 CFR § 200.516(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Child Nutrition Cluster Title I Grants to Local Education Agencies – CFDA #84.010 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR §200.520? | No |

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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EDISON LOCAL SCHOOL DISTRICT

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 16, 2017