



Dave Yost • Auditor of State



**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	21
Notes to the Basic Financial Statements .....	23
Federal Awards Receipts and Expenditures Schedule.....	49
Notes to the Federal Award Receipts and Expenditures Schedule.....	50
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Governmental Auditing Standards.....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	53
Schedule of Findings .....	55

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Jefferson County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed on 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule was subject to auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting records used to prepare the basic financial statements or the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

November 27, 2012

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,016,607 which represents a 25.51% decrease from 2011.
- General revenues accounted for \$16,334,717 in revenue or 80.01% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$4,080,200 or 19.99% of total revenues of \$20,414,917.
- The District had \$21,431,524 in expenses related to governmental activities; program-specific charges for services, grants and contributions offset only \$4,080,200 of these expenses. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,334,717 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$17,758,211 in revenues and other financing sources and \$18,617,742 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$859,531 from a balance of \$119,185 to a deficit of \$740,346.

**Using the Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did the District do financially during 2012?" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

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

*Governmental Funds*

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

*Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-48 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	<b>Net Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
<b><u>Assets</u></b>		
Current and other assets	\$ 9,629,210	\$ 9,921,466
Capital assets, net	<u>4,279,293</u>	<u>4,602,706</u>
Total assets	<u>13,908,503</u>	<u>14,524,172</u>
<b><u>Liabilities</u></b>		
Current liabilities	9,108,380	8,885,432
Long-term liabilities	<u>1,832,220</u>	<u>1,654,230</u>
Total liabilities	<u>10,940,600</u>	<u>10,539,662</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	4,135,275	4,417,845
Restricted	153,258	164,845
Unrestricted (deficit)	<u>(1,320,630)</u>	<u>(598,180)</u>
Total net assets	<u>\$ 2,967,903</u>	<u>\$ 3,984,510</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$2,967,903.

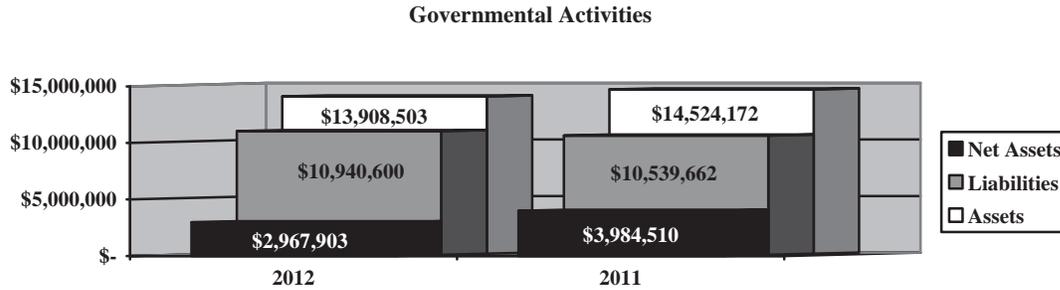
At year-end, capital assets represented 30.77% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$4,135,275. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$153,258, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$1,320,630.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

The graph below illustrates governmental activities' assets, liabilities and net assets at June 30, 2012 and 2011:



**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,016,607. Total governmental expenses of \$21,431,524 were offset by program revenues of \$4,080,200, and general revenues of \$16,334,717. Program revenues supported 19.04% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants. These revenue sources represent 73.82% of total governmental revenue. Reduced property tax revenue was caused by lower delinquent taxes receivable from Jefferson County taxpayers and a revaluation of the FirstEnergy Corp. Sammis power plant. In order to offset the District's financial burden caused by the revaluation, FirstEnergy agreed to contribute \$1,100,000 to be paid to the District over three years. This amount, \$600,000 of which was received during fiscal year 2012, has been recognized as contributions and donations revenue on the statement of activities.

Operating grants and contributions recognized by the District fell by 26.18% from fiscal year 2011 due to reduced grant funding from the American Recovery and Reinvestment Act of 2009 and the Education Jobs and Medicaid Assistance Act which, for the District, did not extend through fiscal year 2012.

The table below shows the change in net assets for fiscal years 2012 and 2011.

**Change in Net Assets**

	Governmental Activities 2012	Governmental Activities 2011
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,244,984	\$ 1,300,798
Operating grants and contributions	2,835,216	3,840,498
General revenues:		
Property taxes	6,860,289	7,471,048
Grants and entitlements	8,209,438	8,490,097
Contributions and donations	1,148,684	-
Investment earnings	848	2,477
Other	115,458	117,319
Total revenues	\$ 20,414,917	\$ 21,222,237

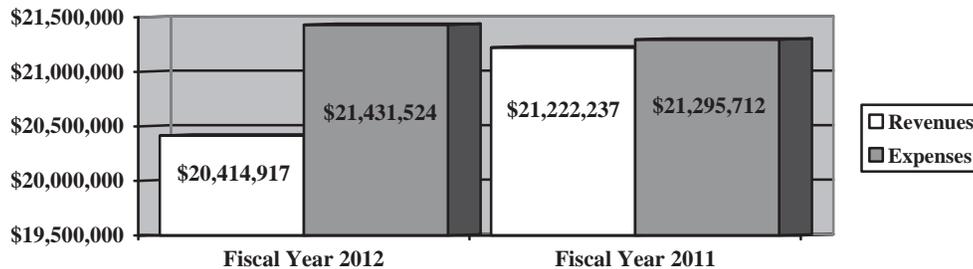
**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

	<b>Change in Net Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 7,619,666	\$ 7,575,964
Special	1,851,466	1,934,916
Vocational	97,523	139,739
Adult education	5,000	4,650
Other	2,654,783	2,623,200
Support services:		
Pupil	918,878	788,850
Instructional staff	1,131,175	1,030,402
Board of education	155,426	107,127
Administration	1,614,821	1,687,062
Fiscal	509,944	486,566
Business	111,846	89,255
Operations and maintenance	1,425,139	1,584,142
Pupil transportation	1,842,837	1,665,331
Central	243,656	257,122
Operation of non-instructional services:		
Other non-instructional services	2,023	2,252
Food service operations	879,687	863,181
Extracurricular activities	354,341	434,435
Interest and fiscal charges	<u>13,313</u>	<u>21,518</u>
Total expenses	<u>21,431,524</u>	<u>21,295,712</u>
Change in net assets	(1,016,607)	(73,475)
Net assets at beginning of year	<u>3,984,510</u>	<u>4,057,985</u>
Net assets at end of year	<u>\$ 2,967,903</u>	<u>\$ 3,984,510</u>

The graph below illustrates governmental activities revenue and expenses for fiscal years 2012 and 2011.

**Governmental Activities - Revenues and Expenses**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

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

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
<b>Governmental Activities</b>				
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,619,666	\$ 6,650,212	\$ 7,575,964	\$ 6,132,185
Special	1,851,466	929,222	1,934,916	911,998
Vocational	97,523	44,898	139,739	87,114
Adult education	5,000	1,369	4,650	235
Other	2,654,783	2,654,783	2,623,200	2,623,200
Support services:				
Pupil	918,878	711,948	788,850	536,896
Instructional staff	1,131,175	375,292	1,030,402	430,169
Board of education	155,426	155,426	107,127	107,127
Administration	1,614,821	1,550,451	1,687,062	963,393
Fiscal	509,944	509,944	486,566	486,566
Business	111,846	111,846	89,255	89,255
Operations and maintenance	1,425,139	1,410,973	1,584,142	1,581,717
Pupil transportation	1,842,837	1,818,993	1,665,331	1,644,962
Central	243,656	236,456	257,122	247,363
Operation of non-instructional services:				
Other non-instructional services	2,023	674	2,252	641
Food service operations	879,687	(28,025)	863,181	9,968
Extracurricular activities	354,341	203,549	434,435	280,109
Interest and fiscal charges	13,313	13,313	21,518	21,518
<b>Total expenses</b>	<b>\$ 21,431,524</b>	<b>\$ 17,351,324</b>	<b>\$ 21,295,712</b>	<b>\$ 16,154,416</b>

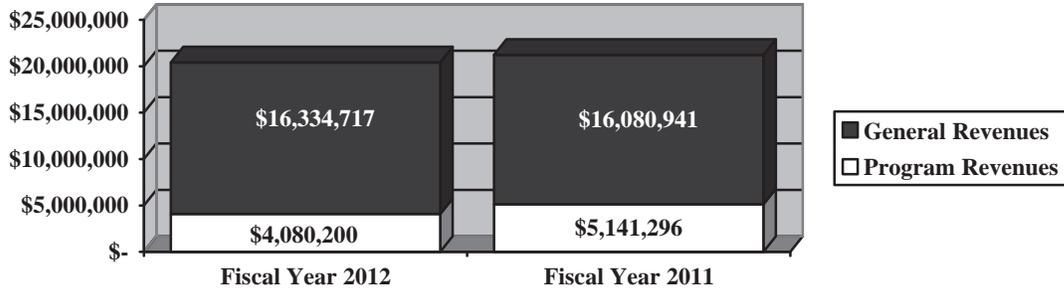
The dependence upon tax and other general revenues for governmental activities is apparent, 84.07% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.96%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

The graph below presents the District's governmental activities revenue for fiscal year 2012 and 2011.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined deficit balance of \$564,826, which is \$836,275 less than last year's fund balance of \$271,449. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>
General	\$ (740,346)	\$ 119,185	\$ (859,531)
Other Governmental	<u>175,520</u>	<u>152,264</u>	<u>23,256</u>
Total	<u>\$ (564,826)</u>	<u>\$ 271,449</u>	<u>\$ (836,275)</u>

**General Fund**

The District's general fund balance decreased \$859,531. Contributions and donations in the general fund increased significantly during 2012 due to \$600,000 received from FirstEnergy Corp. as part of its total \$1,100,000 contribution agreement with the District; the remaining balance of the contribution is to be received during fiscal years 2013 and 2014 and is recorded as receivable at June 30, 2012. Earnings on investments decreased \$1,629 due to lower effective interest rates on the District's depository accounts. Meanwhile, other revenues increased 30.68% from the prior year due to reimbursement from the Eastern Gateway Community College for services provided by the District and additional charges received from students and employees.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

Support services expenditures increased 9.56% in the general fund due to administrative salaries, which in fiscal year 2011 were paid with stimulus grant revenues received in the education stabilization fund, a nonmajor governmental fund. Extracurricular activities expenditures decreased 10.48% due to a reduction in employee wages and benefits associated with athletic and academic extracurricular activities. Expenditures associated with wages, benefits, and retirements for regular student instruction increased slightly. Further, the District did not recognize capital outlay associated with any capital leases in 2012 as it had in the prior year, while operation of non-instructional services and debt service expenditures were consistent in dollar amount with 2011.

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

	2012 <u>Amount</u>	2011 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 7,291,231	\$ 7,482,002	\$ (190,771)	(2.55) %
Tuition	843,991	895,909	(51,918)	(5.80) %
Earnings on investments	848	2,477	(1,629)	(65.77) %
Intergovernmental	8,768,663	9,045,314	(276,651)	(3.06) %
Contributions and donations	662,850	58,803	604,047	1,027.24 %
Other revenues	<u>175,562</u>	<u>134,340</u>	<u>41,222</u>	30.68 %
Total	<u>\$ 17,743,145</u>	<u>\$ 17,618,845</u>	<u>\$ 124,300</u>	0.71 %
<b><u>Expenditures</u></b>				
Instruction	\$ 11,493,861	\$ 11,134,723	\$ 359,138	3.23 %
Support services	6,826,257	6,230,462	595,795	9.56 %
Operation of non-instructional services	165	555	(390)	(70.27) %
Extracurricular activities	233,725	261,094	(27,369)	(10.48) %
Capital outlay	-	221,313	(221,313)	(100.00) %
Debt Service	<u>54,156</u>	<u>54,156</u>	<u>-</u>	- %
Total	<u>\$ 18,608,164</u>	<u>\$ 17,902,303</u>	<u>\$ 705,861</u>	3.94 %

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$17,972,566, which is 0.71% higher than original budgeted revenues and financing sources of \$17,845,000. Actual revenues and other financing sources for fiscal year 2012 were \$18,016,517. This represents a \$43,951 increase from final budgeted revenues.

General fund final appropriations and other financing uses were \$18,933,188, which were higher than the original appropriations and other financing uses of \$18,931,188. Actual budget-basis expenditures and other financing uses for fiscal year 2012 totaled \$18,534,003 and were \$399,185 lower than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2012, the District had \$4,279,293 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. This entire amount is reported in governmental activities.

The following table shows June 30, 2012 balances compared to June 30, 2011:

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

	Governmental Activities	
	2012	2011
Land	\$ 121,734	\$ 121,734
Land improvements	371,438	343,490
Buildings and improvements	2,894,377	2,990,707
Furniture and equipment	320,870	399,182
Vehicles	559,505	734,791
Infrastructure	11,369	12,802
Total	\$ 4,279,293	\$ 4,602,706

Total additions to capital assets for fiscal year 2012 were \$163,568 and depreciation expense totaled \$428,912. During 2012, the District disposed of capital assets with a total net book value of \$58,069.

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

**Debt Administration**

The district's outstanding long-term obligations consist of a capital lease obligation with outstanding principal amounting to \$144,018; of this principal balance \$44,233 is due within one year.

The following table summarizes the District's lease outstanding at June 30, 2012 and June 30, 2011:

**Outstanding Debt, at Year End**

	Governmental Activities 2012	Governmental Activities 2011
Capital lease obligations	\$ 144,018	\$ 184,861

At June 30, 2012, the District's overall legal debt margin was \$28,737,177 and its unvoted debt margin was \$319,299.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)

**Current Financial Related Activities**

On April 2, 2009 the Auditor of the State determined that the District had met the Guidelines for Release from Fiscal Watch as published by the Auditor of the State and the Ohio Department of Education and removed the District from Fiscal Watch. The District entered into a contract January 1, 2008 with Medical Mutual of Ohio to provide a fully-insured insurance program. Medical Mutual agreed with the Group to provide to all eligible covered persons the covered services described in the certificates, schedules of benefits, riders, and amendments listed in the contract. The District believes this is the first step in reducing health care costs. Also, the District placed a 2.75 mil levy on the November 2008 ballot for a five year period that failed to gain the support of the community. The levy would have generated approximately \$924,000 annually. The District passed an emergency levy renewal on November 3, 2009 for five years for 2.0 mils; this levy generates \$1,049,900 annually and is critical to the financial stability of the District. Tax collections related to this levy will end on December 31, 2014 if the levy is not renewed. The District faced a projected \$1.5 million deficit at the end of fiscal year 2012. To avoid this deficit and deficits in future years, the District placed a 9.45 mil operating levy on the November 8, 2011 and March 6, 2012 ballots, neither of which voters approved. The District plans to seek voter approval for the 9.45 mil levy again on November 6, 2012; this levy would generate \$2,949,545 annually beginning in January 2013. The levy is required due to a valuation loss of \$24 million from First Energy Generation, which equates to nearly \$700,000 per year in lost revenue, HB 153 and a loss of \$948,813 from State Stabilization and Jobs Education Funding. The District has reduced annual spending by approximately \$5 million over the last six years. The teaching staff has been reduced from 181 teachers in 2004 to 112 teachers as the District enters fiscal year 2013, and non-teaching staff has been reduced from over 120 employees to 68 employees for fiscal year 2013. In addition to three elementary schools that the District closed in prior years, Springfield Junior High was closed fiscal year 2012 which will reduce the District's expenses by \$1 million per year. Additionally, the District will implement a budget reduction plan for fiscal year 2013 that further reduces the District's employment, initiates a pay-to-participate schedule for all extracurricular activities, and begins an educational supply fee to offset the costs associated with the District's services. Despite the District's actions to remain solvent, it faces financial difficulties due to recent State legislation.

The last challenge facing the District is the future of State funding. The State Foundation formula and the per pupil funding amount are subject to change every two years as the Governor and the General Assembly prepare the biennial budget for the State. The biennial budget passed by the General Assembly for fiscal years 2012 and 2013 include significant changes in the methodology for funding schools. Initial estimates indicate that the District could lose approximately \$36,700 during fiscal year 2013.

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

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . .	\$ 1,040,871
Receivables:	
Property taxes . . . . .	7,870,582
Accounts. . . . .	508,439
Intergovernmental . . . . .	95,777
Prepayments . . . . .	92,571
Materials and supplies inventory . . . . .	20,970
Capital assets:	
Land. . . . .	121,734
Depreciable capital assets, net. . . . .	4,157,559
Capital assets, net . . . . .	<u>4,279,293</u>
 Total assets. . . . .	 <u>13,908,503</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	18,616
Accrued wages and benefits . . . . .	1,320,065
Pension obligation payable . . . . .	350,211
Intergovernmental payable . . . . .	83,304
Unearned revenue . . . . .	7,336,184
Long-term liabilities:	
Due within one year. . . . .	561,439
Due in more than one year. . . . .	1,270,781
 Total liabilities . . . . .	 <u>10,940,600</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	4,135,275
Restricted for:	
Debt service. . . . .	229
State funded programs. . . . .	3,746
Federally funded programs . . . . .	6,751
Student activities . . . . .	66,277
Other purposes . . . . .	76,255
Unrestricted (deficit) . . . . .	<u>(1,320,630)</u>
 Total net assets . . . . .	 <u>\$ 2,967,903</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 7,619,666	\$ 763,594	\$ 205,860	\$ (6,650,212)
Special . . . . .	1,851,466	80,397	841,847	(929,222)
Vocational . . . . .	97,523	-	52,625	(44,898)
Adult/continuing . . . . .	5,000	-	3,631	(1,369)
Other . . . . .	2,654,783	-	-	(2,654,783)
Support services:				
Pupil . . . . .	918,878	-	206,930	(711,948)
Instructional staff . . . . .	1,131,175	-	755,883	(375,292)
Board of education . . . . .	155,426	-	-	(155,426)
Administration . . . . .	1,614,821	-	64,370	(1,550,451)
Fiscal . . . . .	509,944	-	-	(509,944)
Business . . . . .	111,846	-	-	(111,846)
Operations and maintenance . . . . .	1,425,139	14,166	-	(1,410,973)
Pupil transportation . . . . .	1,842,837	17,930	5,914	(1,818,993)
Central . . . . .	243,656	-	7,200	(236,456)
Operation of non-instructional services:				
Other non-instructional services . . . . .	2,023	-	1,349	(674)
Food service operations . . . . .	879,687	239,268	668,444	28,025
Extracurricular activities . . . . .	354,341	129,629	21,163	(203,549)
Interest and fiscal charges . . . . .	13,313	-	-	(13,313)
Total governmental activities . . . . .	<u>\$ 21,431,524</u>	<u>\$ 1,244,984</u>	<u>\$ 2,835,216</u>	<u>(17,351,324)</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				6,860,289
Grants and entitlements not restricted to specific programs . . . . .				8,209,438
Contributions and donations . . . . .				1,148,684
Investment earnings . . . . .				848
Miscellaneous . . . . .				115,458
Total general revenues . . . . .				<u>16,334,717</u>
Change in net assets . . . . .				(1,016,607)
<b>Net assets at beginning of year . . . . .</b>				<u>3,984,510</u>
<b>Net assets at end of year . . . . .</b>				<u>\$ 2,967,903</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 639,327	\$ 338,555	\$ 977,882
Receivables:			
Property taxes . . . . .	7,870,582	-	7,870,582
Accounts . . . . .	508,439	-	508,439
Intergovernmental . . . . .	9,459	86,318	95,777
Prepayments . . . . .	90,199	2,372	92,571
Materials and supplies inventory . . . . .	-	20,970	20,970
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	62,989	-	62,989
Total assets . . . . .	<u>\$ 9,180,995</u>	<u>\$ 448,215</u>	<u>\$ 9,629,210</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 6,021	\$ 12,595	\$ 18,616
Accrued wages and benefits . . . . .	1,154,311	165,754	1,320,065
Compensated absences payable . . . . .	159,698	-	159,698
Retirement incentive payable . . . . .	187,500	-	187,500
Intergovernmental payable . . . . .	63,895	19,409	83,304
Unearned revenue . . . . .	7,336,184	-	7,336,184
Deferred revenue . . . . .	705,582	32,876	738,458
Pension obligation payable . . . . .	308,150	42,061	350,211
Total liabilities . . . . .	<u>9,921,341</u>	<u>272,695</u>	<u>10,194,036</u>
<b>Fund Balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	-	20,970	20,970
Prepayments . . . . .	90,199	2,372	92,571
Restricted:			
Debt service . . . . .	-	229	229
Capital improvements . . . . .	62,989	-	62,989
Food service operations . . . . .	-	23,835	23,835
Special education . . . . .	-	390	390
Targeted academic assistance . . . . .	-	1,015	1,015
Other purposes . . . . .	-	6,187	6,187
Extracurricular . . . . .	-	66,277	66,277
Committed:			
Capital improvements . . . . .	-	76,825	76,825
Unassigned (deficit) . . . . .	(893,534)	(22,580)	(916,114)
Total fund balances (deficit) . . . . .	<u>(740,346)</u>	<u>175,520</u>	<u>(564,826)</u>
Total liabilities and fund balances . . . . .	<u>\$ 9,180,995</u>	<u>\$ 448,215</u>	<u>\$ 9,629,210</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

<b>Total governmental fund balances (deficit)</b>		\$	(564,826)
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,279,293
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	205,582	
Accounts receivable		500,000	
Intergovernmental receivable		32,876	
Total		738,458	738,458
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(144,018)	
Compensated absences		(1,341,004)	
Total		(1,485,022)	(1,485,022)
<b>Net assets of governmental activities</b>		\$	2,967,903

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 7,291,231	\$ -	\$ 7,291,231
Tuition . . . . .	843,991	-	843,991
Transportation fees . . . . .	17,930	-	17,930
Earnings on investments . . . . .	848	-	848
Charges for services . . . . .	-	239,268	239,268
Extracurricular . . . . .	42,174	87,455	129,629
Contributions and donations . . . . .	662,850	13,688	676,538
Other local revenues . . . . .	115,458	10,455	125,913
Intergovernmental - state . . . . .	8,768,663	293,163	9,061,826
Intergovernmental - federal . . . . .	-	1,925,809	1,925,809
<b>Total revenues . . . . .</b>	<b>17,743,145</b>	<b>2,569,838</b>	<b>20,312,983</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	7,224,148	217,656	7,441,804
Special . . . . .	1,500,726	335,433	1,836,159
Vocational . . . . .	115,360	-	115,360
Adult/continuing . . . . .	-	5,000	5,000
Other . . . . .	2,653,627	-	2,653,627
Support services:			
Pupil . . . . .	708,865	197,150	906,015
Instructional staff . . . . .	348,973	764,536	1,113,509
Board of education . . . . .	155,426	-	155,426
Administration . . . . .	1,558,034	77,427	1,635,461
Fiscal . . . . .	503,047	-	503,047
Business . . . . .	96,419	-	96,419
Operations and maintenance . . . . .	1,542,205	-	1,542,205
Pupil transportation . . . . .	1,683,236	-	1,683,236
Central . . . . .	230,052	12,010	242,062
Operation of non-instructional services:			
Other non-instructional services . . . . .	165	1,858	2,023
Food service operations . . . . .	-	853,164	853,164
Extracurricular activities . . . . .	233,725	92,117	325,842
Debt service:			
Principal retirement . . . . .	40,843	-	40,843
Interest and fiscal charges . . . . .	13,313	-	13,313
<b>Total expenditures . . . . .</b>	<b>18,608,164</b>	<b>2,556,351</b>	<b>21,164,515</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(865,019)	13,487	(851,532)
<b>Other financing sources (uses):</b>			
Sale/loss of assets . . . . .	14,353	-	14,353
Transfers in . . . . .	713	9,578	10,291
Transfers (out) . . . . .	(9,578)	(713)	(10,291)
<b>Total other financing sources (uses) . . . . .</b>	<b>5,488</b>	<b>8,865</b>	<b>14,353</b>
Net change in fund balances . . . . .	(859,531)	22,352	(837,179)
<b>Fund balances at beginning of year . . . . .</b>	<b>119,185</b>	<b>152,264</b>	<b>271,449</b>
<b>Increase in reserve for inventory . . . . .</b>	<b>-</b>	<b>904</b>	<b>904</b>
<b>Fund balances (deficit) at end of year . . . . .</b>	<b>\$ (740,346)</b>	<b>\$ 175,520</b>	<b>\$ (564,826)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Net change in fund balances - total governmental funds** \$ (837,179)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period.

Capital asset additions	\$	163,568	
Current year depreciation		(428,912)	
Total			(265,344)

The net effect of various transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (58,069)

Governmental funds report expenditures for inventory when purchased; however, in the statement of activities, inventory is reported as an expense when consumed. 904

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

Property taxes		(430,942)	
Contributions and donations		500,000	
Intergovernmental		32,876	
Total			101,934

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 40,843

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. 304

**Change in net assets of governmental activities** \$ (1,016,607)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 7,621,781	\$ 7,420,000	\$ 7,378,722	\$ (41,278)
Tuition . . . . .	926,016	901,500	834,533	(66,967)
Transportation fees . . . . .	15,408	15,000	17,591	2,591
Earnings on investments . . . . .	2,568	2,500	848	(1,652)
Rental income . . . . .	2,568	2,500	-	(2,500)
Contributions and donations . . . . .	59,645	658,066	658,066	-
Contract services . . . . .	2,054	2,000	-	(2,000)
Other local revenues . . . . .	77,040	75,000	98,178	23,178
Intergovernmental - state . . . . .	8,885,744	8,650,500	8,768,663	118,163
Total revenues . . . . .	<u>17,592,824</u>	<u>17,727,066</u>	<u>17,756,601</u>	<u>29,535</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,386,930	7,388,930	7,286,606	102,324
Special . . . . .	1,458,950	1,458,950	1,517,334	(58,384)
Vocational . . . . .	126,950	126,950	116,442	10,508
Other . . . . .	2,655,900	2,655,900	2,658,973	(3,073)
Support services:				
Pupil . . . . .	541,472	541,472	521,079	20,393
Instructional staff . . . . .	437,400	437,400	363,840	73,560
Board of education . . . . .	145,719	145,719	156,451	(10,732)
Administration . . . . .	1,628,741	1,628,741	1,526,434	102,307
Fiscal . . . . .	491,409	491,409	496,346	(4,937)
Business . . . . .	102,800	102,800	99,162	3,638
Operations and maintenance . . . . .	1,758,957	1,758,957	1,666,521	92,436
Pupil transportation . . . . .	1,632,402	1,632,402	1,653,317	(20,915)
Central . . . . .	221,923	221,923	230,155	(8,232)
Other non-instructional services . . . . .	1,535	1,535	165	1,370
Extracurricular activities . . . . .	250,100	250,100	231,600	18,500
Total expenditures . . . . .	<u>18,841,188</u>	<u>18,843,188</u>	<u>18,524,425</u>	<u>318,763</u>
Excess of expenditures over revenues . . . . .	<u>(1,248,364)</u>	<u>(1,116,122)</u>	<u>(767,824)</u>	<u>348,298</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	514	500	850	350
Transfers in . . . . .	-	-	713	713
Transfers (out) . . . . .	(60,000)	(60,000)	(9,578)	50,422
Advances in . . . . .	250,635	244,000	244,000	-
Advances (out) . . . . .	(30,000)	(30,000)	-	30,000
Sale of capital assets . . . . .	1,027	1,000	14,353	13,353
Total other financing sources (uses) . . . . .	<u>162,176</u>	<u>155,500</u>	<u>250,338</u>	<u>94,838</u>
Net change in fund balance . . . . .	(1,086,188)	(960,622)	(517,486)	443,136
<b>Fund balance at beginning of year . . . . .</b>	<b>886,931</b>	<b>886,931</b>	<b>886,931</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>201,288</b>	<b>201,288</b>	<b>201,288</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 2,031</u></b>	<b><u>\$ 127,597</u></b>	<b><u>\$ 570,733</u></b>	<b><u>\$ 443,136</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 113	\$ 45,383
Investments . . . . .	100,636	-
	100,749	\$ 45,383
<b>Total assets.</b> . . . . .	100,749	\$ 45,383
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 328
Due to students. . . . .	-	45,055
	-	45,055
<b>Total liabilities.</b> . . . . .	-	\$ 45,383
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	100,749	
	100,749	
<b>Total net assets.</b> . . . . .	\$ 100,749	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 368
Gifts and contributions . . . . .	500
Total additions. . . . .	868
<b>Deductions:</b>	
Scholarships awarded . . . . .	500
Change in net assets. . . . .	368
<b>Net assets at beginning of year . . . . .</b>	<b>100,381</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 100,749</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE INTENTIONALLY LEFT BLANK.**

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Edison Local School District (the "District") is organized under Section 3311.01 of the Ohio Revised Code as a local district. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines. The District is staffed by 80 non-certified employees, 12 administrators and 126 certified full-time teaching personnel who provide services to 2,068 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government 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 governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

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

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

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

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

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

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA. During the year ended June 30, 2012, the District paid approximately \$71,093, to OME-RESA for basic service charges.

Jefferson County Joint Vocational School

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*INSURANCE PURCHASING POOL*

Workers' Compensation Group Rating Program

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

*PROPRIETARY FUND*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*FIDUCIARY FUNDS*

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

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**D. Basis of Accounting**

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2012 is as follows:

1. *Tax Budget* - Ohio Revised Code Section 5705.28 required the District to adopt a tax budget for the following fiscal year on or before January 15. This section requires the adopted budget to be submitted to the County Auditor, as Secretary of the County Budget Commission by January 20 of each year, for the period July 1 through June 30 of the following year. The District obtained a waiver as provided for by Ohio Revised Code Section 5705.281, in which they did not have to adopt a tax budget or submit the budget to the County Auditor.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2012.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2012. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

7. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Cash Equivalents**

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

During fiscal year 2012, investments were limited to nonnegotiable certificates of deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$848, which includes \$300 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

**I. Interfund Balances**

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

**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 sick leave is made to the extent that it is probable that the benefit will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The total liability for vacation and sick leave has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance**

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

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

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for capital improvements by State statute, food service and the special trust fund (a nonmajor governmental fund).

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

**N. Prepayments**

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

**O. Estimates**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside for capital improvements. These restricted assets are required by State statute. A schedule of statutory set-asides is presented in Note 16.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2012, the District did not have any transactions that would be considered extraordinary or special.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
General	\$ 740,346
 <u>Nonmajor governmental funds</u>	
Public school preschool	10,514
IDEA Part-B	8,794
Title I, disadvantaged children	2,988

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

**NOTE 4 - DEPOSITS**

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

**A. Cash on Hand**

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

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$1,185,803. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$901,925 of the District's bank balance of \$1,317,932 was exposed to custodial risk as discussed below, while \$416,007 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

**C. Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets**

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 1,185,803
Cash on hand	<u>1,200</u>
Total	<u>\$ 1,187,003</u>
 <u>Cash, investments and cash equivalents per statement of net assets</u>	
Governmental activities	\$ 1,040,871
Private-purpose trust fund	100,749
Agency fund	<u>45,383</u>
Total	<u>\$ 1,187,003</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	\$ 9,578
<u>Transfers from the nonmajor governmental funds to:</u>	
General fund	<u>713</u>
Total	<u>\$ 10,291</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget required to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers to the general fund during fiscal year 2012 were to move residual fund balances upon closing a grant fund.

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

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

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District's 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 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011 on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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 unearned revenue.

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 deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 213,817,530	66.34	\$ 216,533,660	67.82
Public utility personal	<u>108,508,600</u>	<u>33.66</u>	<u>102,765,760</u>	<u>32.18</u>
<b>Total</b>	<b><u>\$ 322,326,130</u></b>	<b><u>100.00</u></b>	<b><u>\$ 319,299,420</u></b>	<b><u>100.00</u></b>
 Tax rate per \$1,000 of assessed valuation	 \$29.70		 \$29.70	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services, student fees, and contractually committed contributions and donations) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental activities:</b>	
Taxes	\$ 7,870,582
Accounts	508,439
Intergovernmental	<u>95,777</u>
 Total	 <b><u>\$ 8,474,798</u></b>

Receivables have been disaggregated on the face of the basic financial statements. All receivables, net of \$200,000 of accounts receivable expected to be collected in fiscal year 2014, are expected to be collected in the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

During fiscal year 2012, the District changed its capital asset policy to remove textbooks. The removal of textbooks is reflected as a current year disposal and had no effect on net assets at June 30, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 8 - CAPITAL ASSETS – (Continued)**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance			Balance
	<u>06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/12</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 121,734	\$ -	\$ -	\$ 121,734
Total capital assets, not being depreciated	<u>121,734</u>	<u>-</u>	<u>-</u>	<u>121,734</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	836,189	58,879	(4,291)	890,777
Buildings and improvements	7,746,010	104,689	(55,398)	7,795,301
Furniture and equipment	838,127	-	(39,799)	798,328
Vehicles	2,374,613	-	(185,440)	2,189,173
Textbooks	1,051,506	-	(1,051,506)	-
Infrastructure	88,049	-	-	88,049
Total capital assets, being depreciated	<u>12,934,494</u>	<u>163,568</u>	<u>(1,336,434)</u>	<u>11,761,628</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(492,699)	(27,176)	536	(519,339)
Buildings and improvements	(4,755,303)	(155,593)	9,972	(4,900,924)
Furniture and equipment	(438,945)	(69,424)	30,911	(477,458)
Vehicles	(1,639,822)	(175,286)	185,440	(1,629,668)
Textbooks	(1,051,506)	-	1,051,506	-
Infrastructure	<u>(75,247)</u>	<u>(1,433)</u>	<u>-</u>	<u>(76,680)</u>
Total accumulated depreciation	<u>(8,453,522)</u>	<u>(428,912)</u>	<u>1,278,365</u>	<u>(7,604,069)</u>
Governmental activities capital assets, net	<u>\$ 4,602,706</u>	<u>\$ (265,344)</u>	<u>\$ (58,069)</u>	<u>\$ 4,279,293</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 95,342
Special	13,209
Vocational	669
<u>Support services:</u>	
Pupil	7,832
Instructional staff	14,229
Administration	11,025
Operations and maintenance	40,073
Pupil transportation	185,447
Central	1,139
Extracurricular activities	28,499
Food service operations	<u>31,448</u>
Total depreciation expense	<u>\$ 428,912</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

During fiscal year 2011, the District entered into a capitalized lease for copier equipment. The lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$221,313. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2012 totaled \$40,843 paid by the general fund. Accumulated depreciation as of June 30, 2012 was \$66,394 leaving a current book value of \$154,919.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012.

Fiscal Year Ending June 30,	Amount
2013	\$ 54,156
2014	54,156
2015	54,157
Total minimum lease payments	162,469
Less: amount representing interest	(18,451)
Total	\$ 144,018

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. The District's long-term obligations during fiscal year 2012 were as follows:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Capital lease payable	\$ 184,861	\$ -	\$ (40,843)	\$ 144,018	\$ 44,233
Retirement incentive	50,000	187,500	(50,000)	187,500	187,500
Compensated absences	1,419,369	426,485	(345,152)	1,500,702	329,706
Total long-term obligations, governmental activities	\$ 1,654,230	\$ 613,985	\$ (435,995)	\$ 1,832,220	\$ 561,439

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

Retirement Incentive: During fiscal year 2012, the District offered a retirement incentive in the amount of \$7,500 and \$15,000 to classified and certified employees, respectively. Seven classified and nine certified employees who retired during fiscal year 2012 were due this incentive at year-end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$28,737,177 and an unvoted debt margin of \$319,299.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2012, the District has contracted with the following insurance companies to provide coverage in the following amounts:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - RISK MANAGEMENT – (Continued)**

Coverage	Limits of Coverage	Deductible
Employee benefits:		
Each occurrence	\$ 1,000,000	\$ 1,000
Aggregate	3,000,000	1,000
Errors and omissions		
Each occurrence	1,000,000	2,500
Aggregate	1,000,000	2,500

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

**B. Fidelity Bond**

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

**C. Workers' Compensation**

For fiscal year 2012, the District participated in the OASBO/OSBA CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$276,900, \$282,402 and \$288,937, respectively; 64.69 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$941,356, \$972,220 and \$962,824, respectively; 84.36 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$19,176 made by the District and \$13,697 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$56,300, \$68,692 and \$56,988, respectively; 64.69 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$16,352, \$18,173 and \$17,183, respectively; 64.69 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$72,412, \$74,786 and \$74,063, respectively; 84.36 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (517,486)
Net adjustment for revenue accruals	(71,694)
Net adjustment for expenditure accruals	(125,019)
Net adjustment for other sources/uses	(244,850)
Funds budgeted elsewhere	8,424
Adjustment for encumbrances	91,094
GAAP basis	<u>\$ (859,531)</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**NOTE 16 - SET-ASIDES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 16 - SET-ASIDES - (Continued)**

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

	<u>Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	333,026
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(270,037)
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ 62,989</u>
Balance carried forward to fiscal year 2013	<u>\$ 62,989</u>
Set-aside balance June 30, 2012	<u>\$ 62,989</u>

A schedule of restricted assets at June 30, 2012 follows:

Amounts restricted for capital improvements	<u>\$ 62,989</u>
---	------------------

**NOTE 17 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance to the extent that such encumbrances do not contribute to a deficit 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	\$ 89,783
Other governmental	<u>25,579</u>
Total	<u>\$ 115,362</u>

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA No.</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non Cash Assistance:				
National School Lunch Program (Food Distribution)		10.555	\$41,557	\$41,557
Cash Assistance:				
National School Lunch Program	04-PU-11	10.555	375,190	375,190
National School Breakfast Program	05-PU-11	10.553	236,939	236,939
Special Milk Program	02-PU-11	10.556	2,795	2,795
Cash Assistance Subtotal			614,924	614,924
Total Nutrition Cluster (Cash and Non-Cash)			656,481	656,481
Farm to School Grant		10.560	2,000	
Total U.S. Department of Agriculture			658,481	656,481
<b>U.S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-11 C1-S1-12	84.010	38,703 597,568	82,154 556,081
Total Title I - Grants to Local Education Agencies			636,271	638,235
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-11 6B-SF-12	84.027	24,408 470,266	51,052 433,305
Special Education - Preschool Grant	PG-S1-12	84.173	14,754	14,336
Total Special Education Cluster			509,428	498,693
Title II-A Improving Teacher Quality Program	TRS1-2011 TRS1-2012	84.367	7,900 115,308	26,880 112,836
Total Title II-A Improving Teacher Quality Program			123,208	139,716
Education Technology State Grants Title II-D	TJ-SI-2012	84.318	4,294	4,294
Education Jobs Grant		84.410	10,320	10,320
<b>Total U.S. Department of Education</b>			1,283,521	1,291,258
Total Federal Awards Receipts and Expenditures			\$1,942,002	\$1,947,739

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

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
JUNE 30, 2012**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. CHILD NUTRITION CLUSTER**

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

**C. FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities. At June 30, 2012, the District had no significant food commodities in inventory.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Edison Local School District, Jefferson County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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

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

[www.ohioauditor.gov](http://www.ohioauditor.gov)

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 27, 2012.

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

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

November 27, 2012



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Edison Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Edison Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Edison Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test an report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 27, 2012.

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



**Dave Yost**  
Auditor of State

November 27, 2012

**EDISON LOCAL SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster 10.555 and 10.553 Special Education Cluster 84.027 and 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

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

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**EDISON LOCAL SCHOOL DISTRICT**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 12, 2013**