



OHIO AUDITOR OF STATE
KEITH FABER



**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

Edison Local School District
Erie County
140 South Main Street
Milan, Ohio 44846-9970

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Erie County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Erie County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

March 19, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018. 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 2018 are as follows:

- In total, net position of governmental activities increased \$8,230,223, which represents a 53.54% increase from fiscal year 2017's restated net position.
- General revenues accounted for \$14,900,757 in revenue or 78.47% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,089,212 in revenue or 21.53% of total revenues of \$18,989,969.
- The District had \$10,759,746 in expenses related to governmental activities; only \$4,089,212 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,900,757 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$16,432,554 in revenues and 16,146,848 in expenditures. The general fund also had an increase in nonspendable inventory in the amount of \$4,500. During fiscal year 2018, the general fund's fund balance increased \$290,206 from \$5,213,559 to \$5,503,765.
- The permanent improvement fund had \$819,862 in revenues and \$836,292 in expenditures. During fiscal year 2018, the permanent improvement fund's fund balance decreased \$16,430 from \$1,625,380 to \$1,608,950.

Using the Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<u>Net Position</u>	
	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>
<u>Assets</u>		
Current and other assets	\$ 17,084,028	\$ 16,105,146
Capital assets, net	<u>5,078,191</u>	<u>5,076,645</u>
Total assets	<u>22,162,219</u>	<u>21,181,791</u>
<u>Deferred Outflows of Resources</u>		
Pension	6,687,193	5,277,318
OPEB	<u>319,237</u>	<u>38,163</u>
Total deferred outflows of resources	<u>7,006,430</u>	<u>5,315,481</u>
<u>Liabilities</u>		
Current liabilities	2,067,446	1,753,823
Long-term liabilities:		
Due within one year	137,858	143,374
Due within more than one year:		
Net pension liability	19,898,053	26,400,731
Net OPEB liability	4,554,242	5,501,418
Other amounts	<u>963,212</u>	<u>922,507</u>
Total liabilities	<u>27,620,811</u>	<u>34,721,853</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	7,423,574	7,068,710
Payment in lieu of taxes levied for the next fiscal year	20,340	27,425
Pension	713,758	52,535
OPEB	<u>533,194</u>	<u>-</u>
Total deferred inflows of resources	<u>8,690,866</u>	<u>7,148,670</u>
<u>Net Position</u>		
Net investment in capital assets	4,824,316	4,990,311
Restricted	2,016,513	1,786,654
Unrestricted (deficit)	<u>(13,983,857)</u>	<u>(22,150,216)</u>
Total net position (deficit)	<u>\$ (7,143,028)</u>	<u>\$ (15,373,251)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit of \$9,909,996 to a deficit of \$15,373,251.

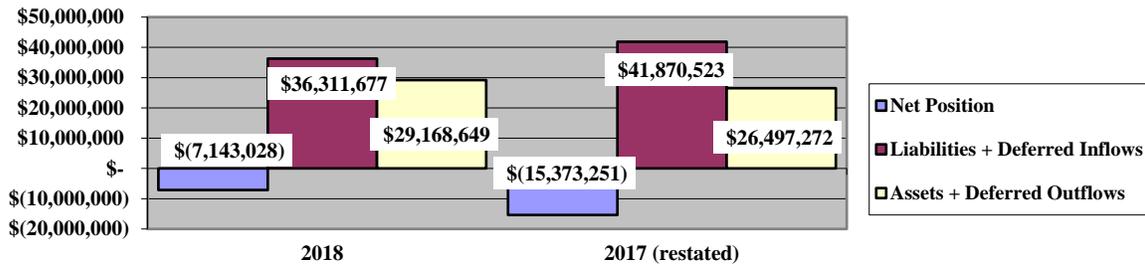
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,143,028.

At fiscal year end, capital assets represented 22.91% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2018 was \$4,824,316. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,016,513, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$13,983,857.

The graph below illustrates the District's assets, deferred outflows of resources liabilities, deferred inflows of resources, and net position at June 30, 2018 and June 30, 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.

Governmental Activities



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The table below shows the changes in net position for governmental activities for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental Activities	Restated Governmental Activities
	<u>2018</u>	<u>2017</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,194,365	\$ 2,011,535
Operating grants and contributions	1,894,847	1,933,324
Capital grants and contributions	-	1,018,485
General revenues:		
Property taxes	8,430,926	7,803,932
Grants and entitlements	6,158,880	6,453,095
Investment earnings	95,464	39,557
Miscellaneous	215,487	117,268
Total revenues	<u>18,989,969</u>	<u>19,377,196</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	3,730,386	7,943,154
Special	1,400,039	2,502,369
Vocational	43,798	96,464
Other	1,231,110	1,312,360
Support services:		
Pupil	674,963	796,137
Instructional staff	285,839	469,223
Board of education	36,175	65,062
Administration	600,542	1,386,963
Fiscal	276,174	479,645
Operations and maintenance	873,334	1,130,656
Pupil transportation	541,815	836,131
Central	120,654	110,114
Operation of non-instructional services:		
Other non-instructional services	47,157	136,155
Food service operations	435,273	705,466
Extracurricular activities	458,466	796,571
Interest and fiscal charges	4,021	8,661
Total expenses	<u>10,759,746</u>	<u>18,775,131</u>
Change in net position	8,230,223	602,065
Net position (deficit) at beginning of year (restated)	(15,373,251)	N/A
Net position (deficit) at end of year	<u><u>\$ (7,143,028)</u></u>	<u><u>\$ (15,373,251)</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$38,163 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$644,425. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 10,759,746
Negative OPEB expense under GASB 75	644,425
2018 contractually required contributions	<u>50,631</u>
Adjusted 2018 program expenses	11,454,802
Total 2017 program expenses under GASB 45	<u>18,775,131</u>
Decrease in program expenses not related to OPEB	<u>\$ (7,320,329)</u>

Governmental Activities

Net position of the District's governmental activities increased \$8,230,223. Total governmental expenses of \$10,759,746 were offset by program revenues of \$4,089,212 and general revenues of \$14,900,757. Program revenues supported 38.00% of the total governmental expenses.

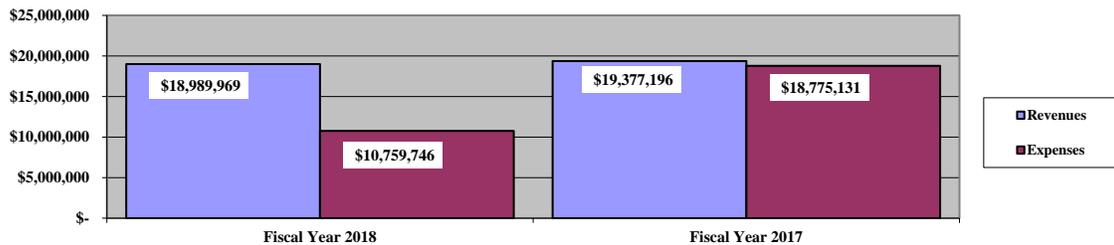
Expenses of the governmental activities decreased \$8,015,385 or 42.69%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$5,885,359) in pension expense and (\$644,425) in OPEB expense mainly due to these benefit changes.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 76.83% of the total governmental revenues.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,405,333 or 59.53% of the total governmental expenses for fiscal year 2018.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2018 and 2017.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues of the District.

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

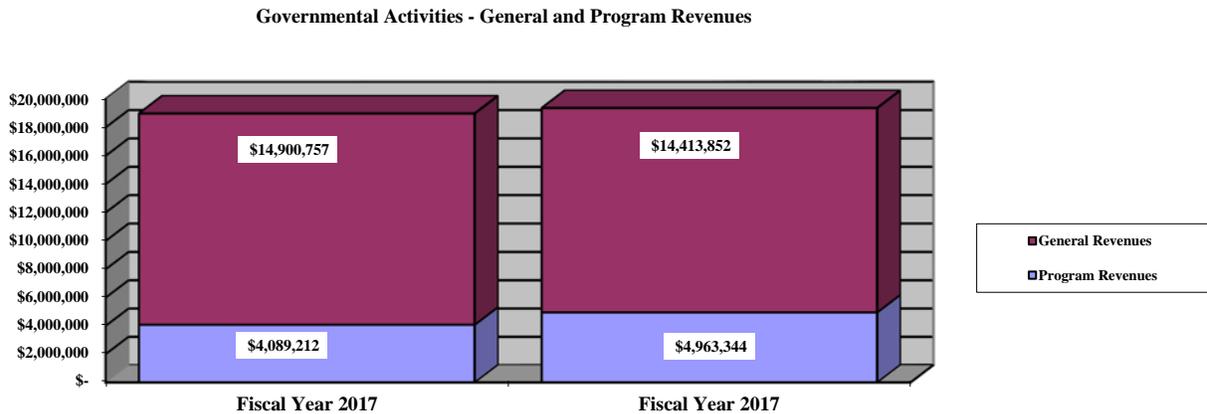
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program expenses				
Instruction:				
Regular	\$ 3,730,386	\$ 2,190,215	\$ 7,943,154	\$ 5,575,874
Special	1,400,039	146,816	2,502,369	1,200,430
Vocational	43,798	558	96,464	87,682
Other	1,231,110	1,231,110	1,312,360	1,312,360
Support services:				
Pupil	674,963	667,460	796,137	796,137
Instructional staff	285,839	280,280	469,223	432,429
Board of education	36,175	36,175	65,062	65,062
Administration	600,542	511,768	1,386,963	1,298,482
Fiscal	276,174	276,174	479,645	479,645
Operations and maintenance	873,334	872,090	1,130,656	1,127,432
Pupil transportation	541,815	493,476	836,131	805,326
Central	120,654	108,416	110,114	105,618
Operation of non-instructional services:				
Other non-instructional services	47,157	(80,517)	136,155	27,901
Food service operations	435,273	(225,336)	705,466	34,443
Extracurricular activities	458,466	157,828	796,571	454,305
Interest and fiscal charges	4,021	4,021	8,661	8,661
Total expenses	\$ 10,759,746	\$ 6,670,534	\$ 18,775,131	\$ 13,811,787

The dependence upon taxes and other general revenues for governmental activities is apparent, as 55.71% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 62.00%. The District's taxpayers and unrestricted grants and entitlements from the State are the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2018 and 2017.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund balance of \$7,283,797, which is more than last year's total of \$6,952,183. The table below indicates the fund balance and the total change in fund balance as of June 30, 2018 and June 30, 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Change
General	\$ 5,503,765	\$ 5,213,559	\$ 290,206
Permanent improvement	1,608,950	1,625,380	(16,430)
Nonmajor governmental	<u>171,082</u>	<u>113,244</u>	<u>57,838</u>
Total	<u>\$ 7,283,797</u>	<u>\$ 6,952,183</u>	<u>\$ 331,614</u>

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

General Fund

The District's general fund balance increased \$290,206.

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

	2018 Amount	2017 Amount	Change	Percentage Change
<u>Revenues</u>				
Taxes	\$ 7,886,051	\$ 7,250,828	\$ 635,223	8.76 %
Tuition	1,559,231	1,310,220	249,011	19.01 %
Earnings on investments	94,569	39,609	54,960	138.76 %
Intergovernmental	6,715,706	7,017,247	(301,541)	(4.30) %
Other revenues	<u>176,997</u>	<u>150,579</u>	<u>26,418</u>	<u>17.54 %</u>
Total	<u>\$ 16,432,554</u>	<u>\$ 15,768,483</u>	<u>\$ 664,071</u>	<u>4.21 %</u>
<u>Expenditures</u>				
Instruction	\$ 10,444,282	\$ 10,086,564	\$ 357,718	3.55 %
Support services	5,138,723	4,825,679	313,044	6.49 %
Extracurricular activities	532,467	478,378	54,089	11.31 %
Capital outlay	-	140,424	(140,424)	(100.00) %
Debt service	<u>31,376</u>	<u>62,751</u>	<u>(31,375)</u>	<u>(50.00) %</u>
Total	<u>\$ 16,146,848</u>	<u>\$ 15,593,796</u>	<u>\$ 553,052</u>	<u>3.55 %</u>

Overall general fund revenues increased \$644,071 or 4.21% and expenditures increased \$553,052 or 3.55%. Tuition increased \$249,011 or 19.01% due to more money being received from other districts for special education and a general increase in open enrollment. Earnings on investments increased \$54,960 or 138.76% due to more interest being received on investments. Other revenues increased \$26,418 or 17.54% due to an increase in miscellaneous receipts.

Capital outlay decreased \$140,424 or 100% due to a decrease in capital assets being acquired. Debt service decreased \$31,375 or 50% due to a decrease in principal payments made on a capital lease.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Permanent Improvement Fund

The District's permanent improvement fund had \$819,862 in revenues and \$836,292 in expenditures. During fiscal year 2018, the permanent improvement fund's fund balance decreased \$16,430 from \$1,625,380 to \$1,608,950. This decrease was primarily due to capital outlay disbursements exceeding receipts due to purchases associated with the boiler room project.

General Fund Budgeting Highlights

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

For the general fund, the original budgeted revenues and other financing sources were \$15,522,638. The final budgeted revenues and other financing sources were \$15,522,639. Actual revenues and other financing sources for fiscal year 2018 were \$16,417,385. This represents a \$894,746 increase over final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$16,099,959 and final appropriations were \$16,791,959. The actual budget basis expenditures for fiscal year 2018 totaled \$16,384,254, which was \$407,705 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$5,078,191 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2018 balances compared to June 30, 2017.

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 399,259	\$ 399,259
Construction in progress	262,436	-
Land improvements	442,925	453,694
Buildings and improvements	2,433,140	2,557,863
Furniture and equipment	799,938	886,970
Vehicles	<u>740,493</u>	<u>778,859</u>
Total	<u><u>\$ 5,078,191</u></u>	<u><u>\$ 5,076,645</u></u>

Total additions to capital assets for fiscal year 2018 were \$108,770 (excluding changes in construction in progress). The District recorded \$321,944 in depreciation expense for fiscal year 2018 and \$47,716 in disposals, net of accumulated depreciation (excluding changes in construction in progress). The overall change in capital assets was an increase of \$1,546.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Debt Administration

At June 30, 2018 the District had \$58,979 outstanding in capital lease obligations. Of this amount \$28,754 is due within one year.

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

Current Financial Related Activities

The District continues to face the same financial challenges that face every school district in Ohio. We try to maximize student achievement and success while working within the confines of our budget. With enrollment increasing slightly from fiscal year 2017 to fiscal year 2018, we are constantly watching our class sizes while still looking for ways to cut while still providing a great education. The primary financial resources for the District remain the same; local property taxes, and State and federal support along with other local receipts such as fees, etc. Expenses are driven mainly by personnel costs (salaries and fringe benefits) used to promote student achievement.

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

In November 2017, the District passed a 7.2 mill Substitute operating levy. This levy will be a continuing levy, which is very beneficial to the District. We continue to maximize the revenue and decrease the expenses whenever possible to reap the benefits this levy has provided for a longer period of time. Although we are seeing some growth in this budget, we continue losing funding in the Tangible Personal Property Tax Reimbursement which will be phased out by 2019-20 at this point.

The District negotiated contracts with both ETA (July 1, 2018 - June 30, 2020) and OAPSE (July 1, 2018 - June 30, 2021). The District gave varied yearly increases on base salary to both unions. Insurance increases were only 5% for this current 2018-19 school year which was great. Our consortium will continue to look for ways to keep our increases at a minimum.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 8,162,769
Receivables:	
Property taxes	8,663,363
Payment in lieu of taxes	20,340
Accounts	10,478
Accrued interest	1,532
Intergovernmental	171,153
Prepayments	30,775
Materials and supplies inventory.	18,993
Inventory held for resale.	4,625
Capital assets:	
Nondepreciable capital assets.	661,695
Depreciable capital assets, net.	4,416,496
Capital assets, net	5,078,191
Total assets.	22,162,219
Deferred outflows of resources:	
Pension	6,687,193
OPEB	319,237
Total deferred outflows of resources	7,006,430
Liabilities:	
Accounts payable.	63,822
Contracts payable.	194,896
Accrued wages and benefits payable	1,434,088
Intergovernmental payable	103,602
Pension and postemployment benefits payable.	271,038
Long-term liabilities:	
Due within one year.	137,858
Due in more than one year:	
Net pension liability	19,898,053
Net OPEB liability	4,554,242
Other amounts due in more than one year	963,212
Total liabilities	27,620,811
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	7,423,574
Payment in lieu of taxes levied for the next fiscal year	20,340
Pension	713,758
OPEB	533,194
Total deferred inflows of resources	8,690,866
Net position:	
Net investment in capital assets	4,824,316
Restricted for:	
Capital projects.	1,815,396
Locally funded programs	34,995
State funded programs.	41,410
Federally funded programs	6,655
Student activities	51,348
Other purposes	66,709
Unrestricted (deficit)	(13,983,857)
Total net position (deficit)	\$ (7,143,028)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 3,730,386	\$ 1,531,433	\$ 8,738	\$ (2,190,215)
Special	1,400,039	67,122	1,186,101	(146,816)
Vocational	43,798	-	43,240	(558)
Other	1,231,110	-	-	(1,231,110)
Support services:				
Pupil	674,963	-	7,503	(667,460)
Instructional staff	285,839	-	5,559	(280,280)
Board of education	36,175	-	-	(36,175)
Administration	600,542	-	88,774	(511,768)
Fiscal	276,174	-	-	(276,174)
Operations and maintenance	873,334	1,244	-	(872,090)
Pupil transportation	541,815	-	48,339	(493,476)
Central	120,654	984	11,254	(108,416)
Operation of non-instructional services:				
Other non-instructional services	47,157	282	127,392	80,517
Food service operations	435,273	294,026	366,583	225,336
Extracurricular activities	458,466	299,274	1,364	(157,828)
Interest and fiscal charges	4,021	-	-	(4,021)
Total governmental activities	<u>\$ 10,759,746</u>	<u>\$ 2,194,365</u>	<u>\$ 1,894,847</u>	<u>(6,670,534)</u>

General revenues:	
Property taxes levied for:	
General purposes	7,869,596
Capital outlay	561,330
Grants and entitlements not restricted	
to specific programs	6,158,880
Investment earnings	95,464
Miscellaneous	215,487
Total general revenues	<u>14,900,757</u>
Change in net position	8,230,223
Net position (deficit) at beginning of year (restated)	<u>(15,373,251)</u>
Net position (deficit) at end of year	<u>\$ (7,143,028)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 6,086,609	\$ 1,766,421	\$ 309,739	\$ 8,162,769
Receivables:				
Property taxes	8,041,813	621,550	-	8,663,363
Payment in lieu of taxes.	20,340	-	-	20,340
Accounts.	7,325	-	3,153	10,478
Accrued interest	1,532	-	-	1,532
Interfund loans	778	-	-	778
Intergovernmental	125,401	-	45,752	171,153
Prepayments.	30,715	-	60	30,775
Materials and supplies inventory.	16,572	-	2,421	18,993
Inventory held for resale.	-	-	4,625	4,625
Due from other funds	1,413	-	-	1,413
Total assets	<u>\$ 14,332,498</u>	<u>\$ 2,387,971</u>	<u>\$ 365,750</u>	<u>\$ 17,086,219</u>
Liabilities:				
Accounts payable	\$ 41,432	\$ 17,395	\$ 4,995	\$ 63,822
Contracts payable.	-	194,896	-	194,896
Accrued wages and benefits payable	1,319,402	-	114,686	1,434,088
Compensated absences payable	11,348	-	-	11,348
Intergovernmental payable	102,202	-	1,400	103,602
Pension and postemployment benefits payable	245,394	-	25,644	271,038
Interfund loans payable.	-	-	778	778
Due to other funds	-	-	1,413	1,413
Total liabilities.	<u>1,719,778</u>	<u>212,291</u>	<u>148,916</u>	<u>2,080,985</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	6,868,394	555,180	-	7,423,574
Payment in lieu of taxes levied for the next fiscal year	20,340	-	-	20,340
Delinquent property tax revenue not available.	142,470	11,550	-	154,020
Intergovernmental revenue not available.	76,243	-	45,752	121,995
Accrued interest not available.	1,508	-	-	1,508
Total deferred inflows of resources	<u>7,108,955</u>	<u>566,730</u>	<u>45,752</u>	<u>7,721,437</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	16,572	-	2,421	18,993
Prepays.	30,715	-	60	30,775
Restricted:				
Capital improvements	-	1,608,950	-	1,608,950
Food service operations	-	-	81,268	81,268
Public school preschool	-	-	27,756	27,756
Other purposes.	-	-	59,235	59,235
Extracurricular.	-	-	51,348	51,348
Assigned:				
Student instruction	165,063	-	-	165,063
Student and staff support.	224,643	-	-	224,643
Subsequent year's appropriations	501,186	-	-	501,186
Public school support	108,138	-	-	108,138
Unassigned (deficit)	4,457,448	-	(51,006)	4,406,442
Total fund balances	<u>5,503,765</u>	<u>1,608,950</u>	<u>171,082</u>	<u>7,283,797</u>
Total liabilities, deferred inflows and fund balances.	<u>\$ 14,332,498</u>	<u>\$ 2,387,971</u>	<u>\$ 365,750</u>	<u>\$ 17,086,219</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total governmental fund balances		\$	7,283,797
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,078,191
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	154,020	
Accrued interest receivable		1,508	
Intergovernmental receivable		121,995	
Total		277,523	277,523
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(58,979)	
Compensated absences		(1,030,743)	
Total		(1,089,722)	(1,089,722)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		6,687,193	
Deferred inflows of resources - pension		(713,758)	
Net pension liability		(19,898,053)	(13,924,618)
The net OPEB liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - OPEB		319,237	
Deferred Inflows - OPEB		(533,194)	
Net OPEB liability		(4,554,242)	
Total		(4,768,199)	(4,768,199)
Net position (deficit) of governmental activities		\$	(7,143,028)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 7,886,051	\$ 562,647	\$ -	\$ 8,448,698
Tuition	1,559,231	-	124,412	1,683,643
Earnings on investments	94,569	-	517	95,086
Charges for services	-	-	294,026	294,026
Extracurricular	106,447	-	192,773	299,220
Classroom materials and fees	38,394	-	2,250	40,644
Rental income	1,244	-	-	1,244
Contributions and donations	-	184,575	1,750	186,325
Other local revenues	30,912	-	5,550	36,462
Intergovernmental - intermediate	16,322	-	19,286	35,608
Intergovernmental - state	6,555,220	72,640	95,800	6,723,660
Intergovernmental - federal	144,164	-	1,021,898	1,166,062
Total revenues	<u>16,432,554</u>	<u>819,862</u>	<u>1,758,262</u>	<u>19,010,678</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,301,493	222,338	14,441	7,538,272
Special	1,817,926	-	657,286	2,475,212
Vocational	91,991	-	-	91,991
Other	1,232,872	-	-	1,232,872
Support services:				
Pupil	849,609	-	7,464	857,073
Instructional staff	479,618	40,416	8,357	528,391
Board of education	42,981	-	-	42,981
Administration	1,273,875	-	89,051	1,362,926
Fiscal	497,142	12,806	-	509,948
Operations and maintenance	1,150,614	-	-	1,150,614
Pupil transportation	732,292	82,546	-	814,838
Central	112,592	-	8,062	120,654
Operation of non-instructional services:				
Other services non-instructional	-	-	97,094	97,094
Food service operations	-	-	620,135	620,135
Extracurricular activities	532,467	-	202,176	734,643
Facilities acquisition and construction	-	478,186	-	478,186
Debt service:				
Principal retirement	27,355	-	-	27,355
Interest and fiscal charges	4,021	-	-	4,021
Total expenditures	<u>16,146,848</u>	<u>836,292</u>	<u>1,704,066</u>	<u>18,687,206</u>
Net change in fund balances	285,706	(16,430)	54,196	323,472
Fund balances at beginning of year	5,213,559	1,625,380	113,244	6,952,183
Increase in reserve for inventory	4,500	-	3,642	8,142
Fund balances at end of year	<u>\$ 5,503,765</u>	<u>\$ 1,608,950</u>	<u>\$ 171,082</u>	<u>\$ 7,283,797</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$	323,472
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 371,206	
Current year depreciation	(321,944)	
Total		49,262
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(47,716)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		8,142
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(17,772)	
Earnings on investments	895	
Intergovernmental	(3,832)	
Total		(20,709)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amount as deferred outflows.		
		1,365,971
Except for amounts reported as deferred inflows/ outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		5,885,359
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		50,631
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		644,425
Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		27,355
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in compensated absences		(55,969)
Change in net position of governmental activities	\$	8,230,223

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 7,545,820	\$ 7,545,821	\$ 7,951,153	\$ 405,332
Tuition.	1,174,000	1,174,000	1,558,656	384,656
Earnings on investments	40,000	40,000	77,932	37,932
Classroom materials and fees	39,250	39,250	38,394	(856)
Rental income	3,000	3,000	1,244	(1,756)
Other local revenues	34,000	34,000	30,306	(3,694)
Intergovernmental - intermediate	22,000	22,000	9,808	(12,192)
Intergovernmental - state	6,529,468	6,529,468	6,527,888	(1,580)
Intergovernmental - federal	100,000	100,000	144,021	44,021
Total revenues	<u>15,487,538</u>	<u>15,487,539</u>	<u>16,339,402</u>	<u>851,863</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,873,390	7,613,282	7,388,405	224,877
Special.	1,992,706	2,032,298	1,853,834	178,464
Vocational.	38,214	94,581	93,936	645
Other.	5,183,676	1,341,700	1,233,433	108,267
Support services:				
Pupil.	1,971,033	859,103	857,167	1,936
Instructional staff	497,400	454,674	449,497	5,177
Board of education	329,809	87,266	50,597	36,669
Administration.	582,608	1,323,415	1,313,951	9,464
Fiscal	57,985	496,162	505,098	(8,936)
Operations and maintenance.	2,486,630	1,232,979	1,284,027	(51,048)
Pupil transportation	1,004,907	790,019	804,752	(14,733)
Central.	-	113,100	112,727	373
Extracurricular activities.	81,601	353,380	436,052	(82,672)
Total expenditures	<u>16,099,959</u>	<u>16,791,959</u>	<u>16,383,476</u>	<u>408,483</u>
Excess of expenditures over revenues	<u>(612,421)</u>	<u>(1,304,420)</u>	<u>(44,074)</u>	<u>1,260,346</u>
Other financing sources (uses):				
Refund of prior year's expenditures	35,000	35,000	77,613	42,613
Advances (out)	-	-	(778)	(778)
Sale of capital assets	100	100	370	270
Total other financing sources (uses)	<u>35,100</u>	<u>35,100</u>	<u>77,205</u>	<u>42,105</u>
Net change in fund balance	(577,321)	(1,269,320)	33,131	1,302,451
Fund balance at beginning of year	5,064,136	5,064,136	5,064,136	-
Prior year encumbrances appropriated	406,272	406,272	406,272	-
Fund balance at end of year	<u>\$ 4,893,087</u>	<u>\$ 4,201,088</u>	<u>\$ 5,503,539</u>	<u>\$ 1,302,451</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 92,577	\$ 55,877
Receivables:		
Accounts	-	1,136
Prepayments	-	3,234
Total assets.	\$ 92,577	\$ 60,247
Liabilities:		
Accounts payable.	\$ -	\$ 202
Due to students.	-	60,045
Total liabilities	-	\$ 60,247
Net position:		
Held in trust for scholarships	92,577	
Total net position.	\$ 92,577	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 411
Deductions:	
Scholarships awarded	1,201
Change in net position	(790)
Net position at beginning of year.	93,367
Net position at end of year	\$ 92,577

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates one elementary school, one middle school, and one comprehensive high school. The District employs 85 non-certified and 107 certified employees to provide services to 1,625 students in preschool and grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments (BACG)

The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of various school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the BACG are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of the BACG consists of the Superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the Superintendent of the fiscal agent, and two non-voting members (administrator and fiscal agent). Members of the Board of Directors serve staggered two-year terms. During the fiscal year, the District paid the BACG \$42,405 for services. Financial information can be obtained by contacting the North Point Educational Service Center, who serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

EHOVE Career Center

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

Northern Ohio Educational Computer Association (NOECA)

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, serving as a computer consortium. NOECA is an association of various public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the Chairman of each of the operating committees, and a representative from the fiscal agent. During the fiscal year, the District paid NOECA \$43,899 for services. Financial information can be obtained by contacting NOECA's fiscal agent, the North Point Educational Service Center, Matt Bauer, who serves as Controller, at 4918 Milan Road, Sandusky, Ohio 44870.

RELATED ORGANIZATION

Milan-Berlin Township Public Library

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

PUBLIC ENTITY RISK POOLS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (the "Association") is a public entity risk pool comprised of various school districts. The Association Assembly consists of a Superintendent or designated representative from each participating school district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, at 4918 Milan Road, Sandusky, Ohio 44870.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

D. Basis of Accounting

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Notes 13 and 14 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Erie County Budget Commission for tax rate determination. The Erie County Commissioners waived this requirement for fiscal year 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2018.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the budgetary statement for the general fund at the function level of expenditures. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2018. All amounts reported in the budgetary statement reflect the original and final appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2018, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), commercial paper, and U.S. treasury notes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$94,569, which includes \$25,265 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2018 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

K. Accrued Liabilities and Long-Term Obligations

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

L. Fund Balance

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

M. Net Position

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

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 14 to the basic financial statements, and added required supplementary information.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ (9,909,996)
Deferred outflows - payments subsequent to measurement date	38,163
Net OPEB liability	(5,501,418)
Restated net position at July 1, 2017	\$ (15,373,251)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Vocational education enhancement	\$ 16
IDEA Part B	18,001
Title I	30,798
Improving teacher quality	778
Miscellaneous federal grants	1,413

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At June 30, 2018, the District had \$300 in undeposited cash on hand, which is included on the basic financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$1,296,761. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2018, \$308,012 of the District’s bank balance of \$1,538,356 was exposed to custodial risk as discussed below, while \$1,230,344 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District’s and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the District’s financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2018, the District had the following investment and maturity:

Measurement/ <u>Investment type</u>	Measurement Value	Investment Maturities	
			6 months or less
Amortized Cost			
STAR Ohio	\$ 3,992,346	\$	3,992,346
Fair Value:			
Commercial paper	2,822,488		2,822,488
U.S. Treasury note	199,328		199,328
	<u>\$ 7,014,162</u>	<u>\$</u>	<u>7,014,162</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average of maturity of investments is 0.57 years.

The District's investments in commercial paper and U.S. treasury notes are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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.

Credit Risk: The District's investments in commercial paper were rated P-1 by Moody's Investor Services. Ohio Revised Code 135.14(B)(7)(a) limits commercial paper purchases to those assigned the highest credit rating by two nationally recognized rating services. The District's investments in U.S. treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: Ohio Revised Code 135.14(B)(7) limits commercial paper and bankers acceptances to < 25% of total the total portfolio, and commercial paper cannot exceed 10% of the issuer's outstanding commercial paper. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement</u>	
	<u>Value</u>	<u>% of Total</u>
Amortized Cost		
STAR Ohio	\$ 3,992,346	56.92
Fair Value		
Commercial paper	2,822,488	40.24
U.S. Treasury Note	199,328	2.84
	<u>\$ 7,014,162</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,296,761
Investments	7,014,162
Cash on hand	300
Total	<u>\$ 8,311,223</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 8,162,769
Private-purpose trust funds	92,577
Agency funds	55,877
Total	<u>\$ 8,311,223</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Due to/due from other funds consisted of the following at June 30, 2018, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 1,413</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on government-wide financial statements.

- B.** Interfund loans consisted of the following at June 30, 2018, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 778</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund loans between governmental funds are eliminated on government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Erie and Huron Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$1,030,949 in the general fund and \$54,820 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$1,096,051 in the general fund and \$90,521 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 224,589,810	92.71	\$ 226,516,160	91.46
Public utility personal	<u>17,669,890</u>	<u>7.29</u>	<u>21,146,170</u>	<u>8.54</u>
Total	<u><u>\$ 242,259,700</u></u>	<u><u>100.00</u></u>	<u><u>\$ 247,662,330</u></u>	<u><u>100.00</u></u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$68.69		\$68.55	
Permanent improvement	3.50		3.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

Governmental activities:

Property taxes	\$ 8,663,363
Payment in lieu of taxes	20,340
Accounts	10,478
Accrued interest	1,532
Intergovernmental	<u>171,153</u>
Total	<u><u>\$ 8,866,866</u></u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 399,259	\$ -	\$ -	\$ 399,259
Construction in progress	-	262,436	-	262,436
Total capital assets, not being depreciated	<u>399,259</u>	<u>262,436</u>	<u>-</u>	<u>661,695</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,314,507	-	-	1,314,507
Buildings and improvements	9,004,736	-	-	9,004,736
Furniture and equipment	2,552,137	26,224	(15,063)	2,563,298
Vehicles	1,798,415	82,546	(166,135)	1,714,826
Total capital assets, being depreciated	<u>14,669,795</u>	<u>108,770</u>	<u>(181,198)</u>	<u>14,597,367</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(860,813)	(10,769)	-	(871,582)
Buildings and improvements	(6,446,873)	(124,723)	-	(6,571,596)
Furniture and equipment	(1,665,167)	(98,193)	-	(1,763,360)
Vehicles	(1,019,556)	(88,259)	133,482	(974,333)
Total accumulated depreciation	<u>(9,992,409)</u>	<u>(321,944)</u>	<u>133,482</u>	<u>(10,180,871)</u>
Governmental activities capital assets, net	<u>\$ 5,076,645</u>	<u>\$ 49,262</u>	<u>\$ (47,716)</u>	<u>\$ 5,078,191</u>

Depreciation expense was charged to governmental activities as follows:

Instruction:

Regular \$ 100,204

Support services:

Instructional staff 19,437

Operations and maintenance 83,383

Pupil transportation 85,411

Extracurricular activities 29,501

Food service operations 4,008

Total depreciation expense \$ 321,944

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE

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

Capital assets consisting of copier equipment have been capitalized in the amount of \$140,424. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2018 for this equipment was \$70,212, leaving a current book value of \$70,212. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2018 totaled \$27,355 and \$4,021, respectively, paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 31,375
2020	<u>31,375</u>
Total minimum lease payments	62,750
Less: amount representing interest	<u>(3,771)</u>
Total	<u><u>\$ 58,979</u></u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 were restated to include the net OPEB liability, as described in Note 3.A.:

	Restated Balance Outstanding <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2018</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Capital lease obligation	\$ 86,334	\$ -	\$ (27,355)	\$ 58,979	\$ 28,754
Net pension liability	26,400,731	-	(6,502,678)	19,898,053	-
Net OPEB liability	5,501,418	-	(947,176)	4,554,242	-
Compensated absences	<u>979,547</u>	<u>76,034</u>	<u>(13,490)</u>	<u>1,042,091</u>	<u>109,104</u>
Total long-term obligations, governmental activities	<u><u>\$ 32,968,030</u></u>	<u><u>\$ 76,034</u></u>	<u><u>\$ (7,490,699)</u></u>	<u><u>\$ 25,553,365</u></u>	<u><u>\$ 137,858</u></u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS

Net Pension Liability and Net OPEB Liability: See Notes 13 and 14 for details.

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

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, 2018, are a voted debt margin of \$22,289,610 and an unvoted debt margin of \$247,662.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Vacation Leave

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

B. Sick Leave and Severance

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - OTHER EMPLOYEE BENEFITS

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

NOTE 12 - RISK MANAGEMENT

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - RISK MANAGEMENT - (Continued)

For fiscal year 2018, the District, again, participated in the Ohio School Boards Association Workers' Compensation Program (the "Program"). The third party administrator for the Program was CompManagement, Inc., a subsidiary of Sedgwick CMS Company. The intent of the Program is to assist the District to manage workers' compensation claims, the associated costs, and to potentially improve the District's risk management of worker related injuries. Participation in the Program is limited to school districts that can meet the Ohio School Boards Association's eligibility criteria.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$306,650 for fiscal year 2018. Of this amount, \$51,018 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,059,321 for fiscal year 2018. Of this amount, \$178,852 is reported as pension and postemployment benefits payable.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.074697800%	0.062538560%	
Proportion of the net pension liability current measurement date	<u>0.073824500%</u>	<u>0.065194960%</u>	
Change in proportionate share	<u>-0.000873300%</u>	<u>0.002656400%</u>	
Proportionate share of the net pension liability	\$ 4,410,851	\$ 15,487,202	\$ 19,898,053
Pension expense	\$ (168,044)	\$ (5,717,315)	\$ (5,885,359)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 189,826	\$ 598,042	\$ 787,868
Changes of assumptions	228,088	3,387,222	3,615,310
Difference between District contributions and proportionate share of contributions/ change in proportionate share	27,836	890,208	918,044
District contributions subsequent to the measurement date	<u>306,650</u>	<u>1,059,321</u>	<u>1,365,971</u>
Total deferred outflows of resources	<u>\$ 752,400</u>	<u>\$ 5,934,793</u>	<u>\$ 6,687,193</u>

**EDISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 124,821	\$ 124,821
Net difference between projected and actual earnings on pension plan investments	20,935	511,097	532,032
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>56,905</u>	<u>-</u>	<u>56,905</u>
Total deferred inflows of resources	<u>\$ 77,840</u>	<u>\$ 635,918</u>	<u>\$ 713,758</u>

\$1,365,971 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ 167,618	\$ 959,629	\$ 1,127,247
2020	243,306	1,654,890	1,898,196
2021	59,812	1,190,708	1,250,520
2022	<u>(102,826)</u>	<u>434,327</u>	<u>331,501</u>
Total	<u>\$ 367,910</u>	<u>\$ 4,239,554</u>	<u>\$ 4,607,464</u>

Actuarial Assumptions - SERS

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

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

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

**EDISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 6,121,115	\$ 4,410,851	\$ 2,978,156

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 - Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 22,200,378	\$ 15,487,202	\$ 9,832,359

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$39,274.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$50,631 for fiscal year 2018. Of this amount, \$41,164 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**EDISON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.075668790%	0.062538560%	
Proportion of the net OPEB liability current measurement date	<u>0.074917000%</u>	<u>0.065194960%</u>	
Change in proportionate share	<u>-0.000751790%</u>	<u>0.002656400%</u>	
Proportionate share of the net OPEB liability	\$ 2,010,575	\$ 2,543,667	\$ 4,554,242
OPEB expense	\$ 111,469	\$ (755,894)	\$ (644,425)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 146,836	\$ 146,836
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	121,770	121,770
District contributions subsequent to the measurement date	<u>50,631</u>	<u>-</u>	<u>50,631</u>
Total deferred outflows of resources	<u>\$ 50,631</u>	<u>\$ 268,606</u>	<u>\$ 319,237</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 5,310	\$ 108,722	\$ 114,032
Changes of assumptions	190,793	204,901	395,694
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>23,468</u>	<u>-</u>	<u>23,468</u>
Total deferred inflows of resources	<u>\$ 219,571</u>	<u>\$ 313,623</u>	<u>\$ 533,194</u>

\$50,631 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ (78,958)	\$ (16,563)	\$ (95,521)
2020	(78,958)	(16,563)	(95,521)
2021	(60,326)	(16,563)	(76,889)
2022	(1,329)	(16,561)	(17,890)
2023	-	10,618	10,618
Thereafter	<u>-</u>	<u>10,615</u>	<u>10,615</u>
Total	<u>\$ (219,571)</u>	<u>\$ (45,017)</u>	<u>\$ (264,588)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 2,428,026	\$ 2,010,575	\$ 1,679,848

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,631,431	\$ 2,010,575	\$ 2,512,379

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 3,414,832	\$ 2,543,667	\$ 1,855,162
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,767,231	\$ 2,543,667	\$ 3,565,548

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 33,131
Net adjustment for revenue accruals	(13,295)
Net adjustment for expenditure accruals	(117,989)
Net adjustment for other sources/uses	(77,205)
Funds budgeted elsewhere	11,514
Adjustment for encumbrances	449,550
GAAP basis	\$ 285,706

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As a result of the final fiscal year 2018 FTE reviews, an intergovernmental payable of \$5,147 due to ODE was reported at June 30, 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 17 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	267,356
Current year offsets	<u>(598,348)</u>
Total	<u>\$ (330,992)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u><u>\$ -</u></u>

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

NOTE 18 - COMMITMENTS

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

<u>Fund</u>	<u>Year End Encumbrances</u>
General fund	\$ 434,604
Permanent improvement fund	447,577
Nonmajor governmental funds	<u>74,963</u>
Total	<u><u>\$ 957,144</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2018, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2018</u>
Seitz Construction, INC	\$ 750,000	\$ -	\$ 750,000
Daniel Frederick Architects	60,000	(45,000)	15,000
Total	<u>\$ 810,000</u>	<u>\$ (45,000)</u>	<u>\$ 765,000</u>

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.07382450%	0.07469780%	0.07575220%	0.07374200%	0.07374200%
District's proportionate share of the net pension liability	\$ 4,410,851	\$ 5,467,190	\$ 4,322,494	\$ 3,732,041	\$ 4,385,200
District's covered payroll	\$ 2,618,579	\$ 2,243,686	\$ 2,280,539	\$ 2,142,807	\$ 2,101,785
District's proportionate share of the net pension liability as a percentage of its covered payroll	168.44%	243.67%	189.54%	174.17%	208.64%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.06519496%	0.06253856%	0.06206120%	0.06098832%	0.06098832%
District's proportionate share of the net pension liability	\$ 15,487,202	\$ 20,933,541	\$ 17,151,900	\$ 14,834,470	\$ 17,670,724
District's covered payroll	\$ 7,505,557	\$ 6,951,500	\$ 6,475,043	\$ 6,231,323	\$ 6,345,869
District's proportionate share of the net pension liability as a percentage of its covered payroll	206.34%	301.14%	264.89%	238.06%	278.46%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 306,650	\$ 366,601	\$ 314,116	\$ 300,575
Contributions in relation to the contractually required contribution	<u>(306,650)</u>	<u>(366,601)</u>	<u>(314,116)</u>	<u>(300,575)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,271,481	\$ 2,618,579	\$ 2,243,686	\$ 2,280,539
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
\$ 296,993	\$ 290,887	\$ 294,659	\$ 254,707	\$ 274,737	\$ 207,573
<u>(296,993)</u>	<u>(290,887)</u>	<u>(294,659)</u>	<u>(254,707)</u>	<u>(274,737)</u>	<u>(207,573)</u>
<u>\$ -</u>					
\$ 2,142,807	\$ 2,101,785	\$ 2,190,773	\$ 2,026,309	\$ 2,029,077	\$ 2,109,482
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,059,321	\$ 1,050,778	\$ 973,210	\$ 906,506
Contributions in relation to the contractually required contribution	<u>(1,059,321)</u>	<u>(1,050,778)</u>	<u>(973,210)</u>	<u>(906,506)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,566,579	\$ 7,505,557	\$ 6,951,500	\$ 6,475,043
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 810,072	\$ 824,963	\$ 818,874	\$ 860,574	\$ 887,793	\$ 843,933
<u>(810,072)</u>	<u>(824,963)</u>	<u>(818,874)</u>	<u>(860,574)</u>	<u>(887,793)</u>	<u>(843,933)</u>
<u>\$ -</u>					
\$ 6,231,323	\$ 6,345,869	\$ 6,299,031	\$ 6,619,800	\$ 6,829,177	\$ 6,491,792
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.07491700%	0.07566879%
District's proportionate share of the net OPEB liability	\$ 2,010,575	\$ 2,156,840
District's covered payroll	\$ 2,618,579	\$ 2,243,686
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.78%	96.13%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.06519496%	0.06253856%
District's proportionate share of the net OPEB liability	\$ 2,543,667	\$ 3,344,578
District's covered payroll	\$ 7,505,557	\$ 6,951,500
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	33.89%	48.11%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 50,631	\$ 38,163	\$ 38,163	\$ 55,205
Contributions in relation to the contractually required contribution	<u>(50,631)</u>	<u>(38,163)</u>	<u>(38,163)</u>	<u>(55,205)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,271,481	\$ 2,618,579	\$ 2,243,686	\$ 2,280,539
Contributions as a percentage of covered payroll	2.23%	1.46%	1.70%	2.42%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2014	2013	2012	2011	2010	2009
\$ 38,033	\$ 34,777	\$ 41,388	\$ 59,209	\$ 40,690	\$ 117,326
<u>(38,033)</u>	<u>(34,777)</u>	<u>(41,388)</u>	<u>(59,209)</u>	<u>(40,690)</u>	<u>(117,326)</u>
<u>\$ -</u>					
\$ 2,142,807	\$ 2,101,785	\$ 2,190,773	\$ 2,026,309	\$ 2,029,077	\$ 2,109,482
1.77%	1.65%	1.89%	2.92%	2.01%	5.56%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,566,579	\$ 7,505,557	\$ 6,951,500	\$ 6,475,043
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 64,731	\$ 63,459	\$ 62,990	\$ 66,198	\$ 68,292	\$ 64,918
<u>(64,731)</u>	<u>(63,459)</u>	<u>(62,990)</u>	<u>(66,198)</u>	<u>(68,292)</u>	<u>(64,918)</u>
<u>\$ -</u>					
\$ 6,231,323	\$ 6,345,869	\$ 6,299,031	\$ 6,619,800	\$ 6,829,177	\$ 6,491,792
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

(Continued)

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$ 66,647
National School Lunch Program		
Non-Cash Assistance (Food Distribution)	10.555	60,138
Cash Assistance	10.555	233,889
Total National School Lunch Program		<u>294,027</u>
Total Child Nutrition Cluster		<u>360,674</u>
Total U.S. Department of Agriculture		<u>360,674</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster (IDEA):</u>		
Special Education - Preschool Grants	84.173	9,569
Special Education - Grants to States	84.027	345,045
Total Special Education Cluster (IDEA)		<u>354,614</u>
Title I Grants to Local Educational Agencies	84.010	312,666
Improving Teacher Quality State Grants	84.367	8,298
English Language Acquisition State Grants	84.365	2,516
Student Support and Academic Enrichment Program	84.424	9,914
Total U.S. Department of Education		<u>688,008</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,048,682</u></u>

The accompanying notes are an integral part of this schedule.

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Edison Local School District (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edison Local School District, Erie County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2018-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

March 19, 2019



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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Edison Local School District, Erie County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Edison Local School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Edison Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State

Columbus, Ohio

March 19, 2019

**EDISON LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2018-001

Significant Deficiency – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

General Fund property taxes receivable and deferred inflows of resources – property taxes levied for the next fiscal year were each understated in the amount of \$357,319.

These errors were not identified and corrected prior to the District preparing its financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The failure to adequately monitor financial statements could allow for misstatements to occur and go undetected. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the fiscal year ended June 30, 2018.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer, to help identify and correct errors and omissions.

Officials' Response:

The Treasurer will work with the GAAP conversion team more closely in the future to further clarify and prevent compilation errors in the future.

FINDING NUMBER 2018-002

Finding for Recovery

Edison Local School District Executive Assistant Salary and Benefit Package for the period of July 1, 2017 through June 30, 2018 provides, in part, that the Board of Education will provide severance pay to the employee upon his/her separation from the District and said severance pay will be provided by the Board as it is for certified staff.

The Board of Education has set severance payouts for certified employees through the District's Master Agreement between the Edison Local Board of Education and the Edison Teachers Association with policy *Severance Pay* in Article XXVII, effective July 1, 2016 through June 30, 2018.

As part of this agreement, any employee who first becomes eligible for retirement will receive severance pay equal to two-thirds (2/3) of the employee's accrued but unused sick leave multiplied by the employee's per diem rate of pay at the time of retirement. In no event, however, shall the employee's severance pay exceed the value of one hundred ten (110) days of sick leave.

**FINDING NUMBER 2018-002
 (CONTINUED)**

During fiscal year 2018, there was an error in calculating the payment of unused sick leave to retiring employee Robin Nickoli due to deficiencies in the District's internal controls over severance calculations. As a result, the employee was over-compensated as follows:

Daily Rate	\$ 236.56	
Maximum Days Subject to Severance (110.585 x .67)	74.09	
Total Severance Amount Due		\$ 17,527
Gross Severance Paid to Employee	\$ 25,549	
Total Overpayment to Employee		\$ (8,022)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Robin Nickoli, in the amount of \$8,022, and in favor of the Edison Local School District General Fund.

Treasurer Anne Arnold authorized the direct deposit resulting in the improper payment. Treasurer Anne Arnold and her bonding company Travelers Casualty and Surety Company of America, are jointly and severally liable in the amount of \$8,022 and in favor of the Edison Local School District General Fund to the extent that recovery is not obtained from Robin Nickoli.

The District should develop policies and procedures to ensure severance payments are calculated in accordance with the District's policy and negotiated agreements.

Officials' Response:

The severance calculation error that occurred was an error on the side of the district and is not reflective of any negligence on the part of the employee. Proper procedures were followed in the preparation and calculation of the payment but the mistake was not detected during the review. In the future, the district will make sure to more closely review and double check the calculations. The district is currently working with the employee to develop a repayment plan.

3. FINDINGS FOR FEDERAL AWARDS

None

BOARD OF EDUCATION

Matt R. McClester
James Mark Suhanic
Jeffrey Whitacre
William Muthig
John Betts



Mr. Thomas C. Roth
Superintendent of Schools

140 S. Main Street
Milan, OH 44846 9735
Phone: (419) 499-30 00, ext. 1111
Fax: (419) 499-4859

Anne M. Arnold– Treasurer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	First reported in 2017. Material weakness for errors in financial reporting.	Partially corrected and reissued as Finding 2018-001 in this report.	<p>The error identified in Finding 2017-001 was corrected during the current audit period. However, an error not deemed to be a material weakness and not previously reported as part of Finding 2017-001 was found during the current audit due to deficiencies in the District's internal controls over financial statement monitoring.</p> <p>The Treasurer will work with the GAAP conversion team more closely in the future to further clarify and prevent compilation errors in the future.</p>

BOARD OF EDUCATION

Matt R. McClester
James Mark Suhanic
Jeffrey Whitacre
William Muthig
John Betts



Mr. Thomas C. Roth
Superintendent of Schools

140 S. Main Street
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Phone: (419) 499-30 00, ext. 1111
Fax: (419) 499-4859

Anne M. Arnold– Treasurer

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The Treasurer will work with the GAAP conversion team more closely in the future to further clarify and prevent compilation errors in the future.	March 20, 2019	Anne Arnold, Treasurer
2018-002	The severance calculation error that occurred was an error on the side of the district and is not reflective of any negligence on the part of the employee. Proper procedures were followed in the preparation and calculation of the payment but the mistake was not detected during the review. In the future, the district will make sure to more closely review and double check the calculations. The district is currently working with the employee to develop a repayment plan.	March 20, 2019	Anne Arnold, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



EDISON LOCAL SCHOOL DISTRICT

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2019**