





**EDISON LOCAL SCHOOL DISTRICT  
ERIE COUNTY  
JUNE 30, 2023**

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**INDEPENDENT AUDITOR'S REPORT**

Edison Local School District  
Erie County  
140 South Main Street  
Milan, Ohio 44846-9735

To the Board of Education:

***Report on the Audit of the Financial Statements***

***Opinions***

We have audited the cash-basis 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in cash-basis financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the cash-basis of accounting described in Note 2.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter - Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash-basis of accounting described in Note 2, and for determining that the cash-basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary Information***

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

The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 21, 2024

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

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2023

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets:</b>                             |                                    |
| Equity in pooled cash and cash equivalents | <u>\$ 15,591,107</u>               |
| <b>Net position:</b>                       |                                    |
| Restricted for:                            |                                    |
| Capital projects                           | \$ 2,000,968                       |
| State funded programs                      | 30,776                             |
| Federally funded programs                  | 192,203                            |
| Food service operations                    | 628,087                            |
| Student activities                         | 262,358                            |
| Other purposes                             | 200,866                            |
| Unrestricted                               | <u>12,275,849</u>                  |
| Total net position                         | <u>\$ 15,591,107</u>               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

|   | Cash Receipts        |                                   |                                       |                                     | Net (Disbursements)                     |
|---|----------------------|-----------------------------------|---------------------------------------|-------------------------------------|---|
|   | Disbursements        | Charges for<br>Services and Sales | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions | Receipts and Changes<br>in Net Position |
|   |                      |                                   |                                       |                                     | Governmental<br>Activities              |
| <b>Governmental activities:</b>             |                      |                                   |                                       |                                     |   |
| Instruction:                                |                      |                                   |                                       |                                     |   |
| Regular                                     | \$ 8,256,020         | \$ 369,643                        | \$ 578,862                            | \$ 1,128                            | \$ (7,306,387)                          |
| Special                                     | 3,115,243            | 160,724                           | 1,257,628                             | -                                   | (1,696,891)                             |
| Vocational                                  | 125,696              | -                                 | 55,961                                | -                                   | (69,735)                                |
| Other                                       | 376,679              | -                                 | 4,524                                 | -                                   | (372,155)                               |
| Support services:                           |                      |                                   |                                       |                                     |   |
| Pupil                                       | 1,253,831            | -                                 | 391,796                               | -                                   | (862,035)                               |
| Instructional staff                         | 527,230              | -                                 | 76,225                                | 299,999                             | (151,006)                               |
| Board of education                          | 102,349              | -                                 | -                                     | -                                   | (102,349)                               |
| Administration                              | 1,529,197            | -                                 | 101,720                               | -                                   | (1,427,477)                             |
| Fiscal                                      | 482,030              | -                                 | -                                     | -                                   | (482,030)                               |
| Operations and maintenance                  | 1,399,783            | 2,578                             | 102,564                               | -                                   | (1,294,641)                             |
| Pupil transportation                        | 963,207              | -                                 | 82,061                                | 45,000                              | (836,146)                               |
| Central                                     | 181,698              | -                                 | 12,612                                | -                                   | (169,086)                               |
| Operation of non-instructional<br>services: |                      |                                   |                                       |                                     |   |
| Food service operations                     | 728,677              | 329,012                           | 426,786                               | -                                   | 27,121                                  |
| Other non-instructional services            | 84,602               | -                                 | 83,110                                | -                                   | (1,492)                                 |
| Extracurricular activities                  | 869,815              | 392,516                           | -                                     | -                                   | (477,299)                               |
| Facilities acquisition and construction     | 351,689              | -                                 | -                                     | -                                   | (351,689)                               |
| <b>Total governmental activities</b>        | <b>\$ 20,347,746</b> | <b>\$ 1,254,473</b>               | <b>\$ 3,173,849</b>                   | <b>\$ 346,127</b>                   | <b>(15,573,297)</b>                     |

**General receipts:**

|  |                          |
|--|--------------------------|
| Property taxes levied for:                                     |                          |
| General purposes   | 10,763,547               |
| Capital outlay   | 810,949                  |
| Payments in lieu of taxes                                      | 163,331                  |
| Grants and entitlements not restricted<br>to specific programs | 5,970,363                |
| Investment earnings  | 487,956                  |
| Miscellaneous  | 113,463                  |
| <b>Total general receipts</b>                                  | <b>18,309,609</b>        |
| <br>Change in net position                                     | <br>2,736,312            |
| <br><b>Net position at beginning of year</b>                   | <br><b>12,854,795</b>    |
| <br><b>Net position at end of year</b>                         | <br><b>\$ 15,591,107</b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

|   | <b>General</b> | <b>Permanent<br/>Improvement</b> | <b>Capital<br/>Projects</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|----------------|----------------------------------|-----------------------------|--|---|
| <b>Assets:</b>                                |                |                                  |                             |  |   |
| Equity in pooled cash<br>and cash equivalents | \$ 4,575,299   | \$ 2,000,968                     | \$ 7,735,940                | \$ 1,278,900                               | \$ 15,591,107                           |
| <b>Fund balances:</b>                         |                |                                  |                             |  |   |
| Nonspendable:                                 |                |                                  |                             |  |   |
| Unclaimed monies                              | \$ 18,050      | \$ -                             | \$ -                        | \$ -                                       | \$ 18,050                               |
| Scholarship endowment                         | -              | -                                | -                           | 92,021                                     | 92,021                                  |
| Restricted:                                   |                |                                  |                             |  |   |
| Capital improvements                          | -              | 2,000,968                        | -                           | -  | 2,000,968                               |
| Food service operations                       | -              | -                                | -                           | 628,087                                    | 628,087                                 |
| State funded programs                         | -              | -                                | -                           | 30,776                                     | 30,776                                  |
| Federally funded programs                     | -              | -                                | -                           | 192,203                                    | 192,203                                 |
| Extracurricular                               | -              | -                                | -                           | 262,358                                    | 262,358                                 |
| Other purposes                                | -              | -                                | -                           | 90,795                                     | 90,795                                  |
| Committed:                                    |                |                                  |                             |  |   |
| Capital improvements                          | -              | -                                | 7,735,940                   | -  | 7,735,940                               |
| Assigned:                                     |                |                                  |                             |  |   |
| Student instruction                           | 216,259        | -                                | -                           | -  | 216,259                                 |
| Student and staff support                     | 190,269        | -                                | -                           | -  | 190,269                                 |
| Subsequent year's appropriations              | 74,236         | -                                | -                           | -  | 74,236                                  |
| Public school support                         | 85,149         | -                                | -                           | -  | 85,149                                  |
| Other purposes                                | 718            | -                                | -                           | -  | 718                                     |
| Unassigned (deficit)                          | 3,990,618      | -                                | -                           | (17,340)                                   | 3,973,278                               |
| Total fund balances                           | \$ 4,575,299   | \$ 2,000,968                     | \$ 7,735,940                | \$ 1,278,900                               | \$ 15,591,107                           |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

|   | <u>General</u>      | <u>Permanent<br/>Improvement</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|----------------------------------|-----------------------------|--|---|
| <b>Receipts:</b>                              |                     |                                  |                             |  |   |
| Property taxes                                | \$ 10,763,547       | \$ 810,949                       | \$ -                        | \$ -                                       | \$ 11,574,496                           |
| Intergovernmental                             | 6,657,842           | 70,746                           | -                           | 2,720,646                                  | 9,449,234                               |
| Investment earnings                           | 487,956             | -                                | -                           | 12,477                                     | 500,433                                 |
| Tuition and fees                              | 530,367             | -                                | -                           | -  | 530,367                                 |
| Extracurricular                               | 59,668              | -                                | -                           | 332,848                                    | 392,516                                 |
| Rental income                                 | 2,578               | -                                | -                           | -  | 2,578                                   |
| Charges for services                          | -                   | -                                | -                           | 329,012                                    | 329,012                                 |
| Contributions and donations                   | -                   | 1,128                            | -                           | -  | 1,128                                   |
| Payment in lieu of taxes                      | 163,331             | -                                | -                           | -  | 163,331                                 |
| Miscellaneous                                 | 113,463             | -                                | -                           | 27,500                                     | 140,963                                 |
| Total receipts                                | <u>18,778,752</u>   | <u>882,823</u>                   | <u>-</u>                    | <u>3,422,483</u>                           | <u>23,084,058</u>                       |
| <b>Disbursements:</b>                         |                     |                                  |                             |  |   |
| Current:                                      |                     |                                  |                             |  |   |
| Instruction:                                  |                     |                                  |                             |  |   |
| Regular                                       | 7,580,642           | 110,803                          | -                           | 564,575                                    | 8,256,020                               |
| Special                                       | 2,319,611           | -                                | -                           | 795,632                                    | 3,115,243                               |
| Vocational                                    | 125,696             | -                                | -                           | -  | 125,696                                 |
| Other   | 372,343             | -                                | -                           | 4,336                                      | 376,679                                 |
| Support services:                             |                     |                                  |                             |  |   |
| Pupil   | 1,007,558           | -                                | -                           | 246,273                                    | 1,253,831                               |
| Instructional staff                           | 371,687             | 13,268                           | -                           | 142,275                                    | 527,230                                 |
| Board of education                            | 102,349             | -                                | -                           | -  | 102,349                                 |
| Administration                                | 1,431,492           | -                                | -                           | 97,705                                     | 1,529,197                               |
| Fiscal  | 465,442             | 16,588                           | -                           | -  | 482,030                                 |
| Operations and maintenance                    | 1,290,033           | -                                | -                           | 109,750                                    | 1,399,783                               |
| Pupil transportation                          | 819,175             | 99,032                           | -                           | 45,000                                     | 963,207                                 |
| Central                                       | 166,683             | -                                | -                           | 15,015                                     | 181,698                                 |
| Operation of non-instructional services:      |                     |                                  |                             |  |   |
| Food service operations                       | -                   | -                                | -                           | 728,677                                    | 728,677                                 |
| Other non-instructional services              | -                   | -                                | -                           | 84,602                                     | 84,602                                  |
| Extracurricular activities                    | 550,901             | -                                | -                           | 318,914                                    | 869,815                                 |
| Facilities acquisition and construction       | -                   | 272,744                          | 34,136                      | 44,809                                     | 351,689                                 |
| Total disbursements                           | <u>16,603,612</u>   | <u>512,435</u>                   | <u>34,136</u>               | <u>3,197,563</u>                           | <u>20,347,746</u>                       |
| Excess of receipts over (under) disbursements | <u>2,175,140</u>    | <u>370,388</u>                   | <u>(34,136)</u>             | <u>224,920</u>                             | <u>2,736,312</u>                        |
| <b>Other financing sources (uses):</b>        |                     |                                  |                             |  |   |
| Transfers in                                  | -                   | -                                | 2,200,000                   | -  | 2,200,000                               |
| Transfers (out)                               | (2,200,000)         | -                                | -                           | -  | (2,200,000)                             |
| Total other financing sources (uses)          | <u>(2,200,000)</u>  | <u>-</u>                         | <u>2,200,000</u>            | <u>-</u>                                   | <u>-</u>                                |
| Net change in fund balances                   | (24,860)            | 370,388                          | 2,165,864                   | 224,920                                    | 2,736,312                               |
| <b>Fund balances at beginning of year</b>     | <u>4,600,159</u>    | <u>1,630,580</u>                 | <u>5,570,076</u>            | <u>1,053,980</u>                           | <u>12,854,795</u>                       |
| <b>Fund balances at end of year</b>           | <u>\$ 4,575,299</u> | <u>\$ 2,000,968</u>              | <u>\$ 7,735,940</u>         | <u>\$ 1,278,900</u>                        | <u>\$ 15,591,107</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

|   | <u>Budgeted Amounts</u> |                     |                     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b>Receipts:</b>                            |                         |                     |                     |   |
| From local sources:                         |                         |                     |                     |   |
| Property taxes                              | \$ 10,730,259           | \$ 10,763,547       | \$ 10,763,547       | \$ -  |
| Intergovernmental                           | 6,806,420               | 6,908,578           | 6,657,842           | (250,736)   |
| Investment earnings                         | 74,064                  | 421,615             | 487,956             | 66,341  |
| Tuition and fees                            | 551,575                 | 530,527             | 530,367             | (160)   |
| Rental income                               | 2,762                   | 2,578               | 2,578               | -   |
| Contributions and donations                 | 1,000                   | -                   | -                   | -   |
| Payment in lieu of taxes                    | 135,869                 | 163,331             | 163,331             | -   |
| Miscellaneous                               | 75,890                  | 109,215             | 109,215             | -   |
| Total receipts                              | <u>18,377,839</u>       | <u>18,899,391</u>   | <u>18,714,836</u>   | <u>(184,555)</u>  |
| <b>Disbursements:</b>                       |                         |                     |                     |   |
| Current:                                    |                         |                     |                     |   |
| Instruction:                                |                         |                     |                     |   |
| Regular                                     | 8,004,376               | 7,661,278           | 7,647,564           | 13,714  |
| Special                                     | 2,423,909               | 2,479,270           | 2,466,298           | 12,972  |
| Vocational                                  | 148,952                 | 139,112             | 137,935             | 1,177   |
| Other                                       | 364,840                 | 372,343             | 372,343             | -   |
| Support services:                           |                         |                     |                     |   |
| Pupil                                       | 1,054,386               | 1,021,639           | 1,019,428           | 2,211   |
| Instructional staff                         | 380,007                 | 373,557             | 372,052             | 1,505   |
| Board of education                          | 130,284                 | 140,671             | 123,185             | 17,486  |
| Administration                              | 1,374,371               | 1,456,271           | 1,442,119           | 14,152  |
| Fiscal                                      | 380,721                 | 482,527             | 466,495             | 16,032  |
| Operations and maintenance                  | 1,302,309               | 1,530,813           | 1,400,056           | 130,757   |
| Pupil transportation                        | 826,869                 | 866,028             | 852,367             | 13,661  |
| Central                                     | 215,910                 | 166,683             | 166,683             | -   |
| Operation of non-instructional services     |                         |                     |                     |   |
| Other non-instructional services            | 1,544                   | -                   | -                   | -   |
| Extracurricular activities                  | 450,546                 | 489,686             | 489,480             | 206   |
| Total disbursements                         | <u>17,059,024</u>       | <u>17,179,878</u>   | <u>16,956,005</u>   | <u>223,873</u>  |
| Excess of receipts over disbursements       | <u>1,318,815</u>        | <u>1,719,513</u>    | <u>1,758,831</u>    | <u>39,318</u>   |
| <b>Other financing sources (uses):</b>      |                         |                     |                     |   |
| Refund of prior year's disbursements        | 16,215                  | 9,589               | 9,589               | -   |
| Transfers in                                | -                       | 12,368              | 12,368              | -   |
| Transfers (out)                             | (2,000,000)             | (2,212,368)         | (2,212,368)         | -   |
| Sale of capital assets                      | 834                     | 606                 | 606                 | -   |
| Total other financing sources (uses)        | <u>(1,982,951)</u>      | <u>(2,189,805)</u>  | <u>(2,189,805)</u>  | <u>-</u>  |
| Net change in fund balance                  | (664,136)               | (470,292)           | (430,974)           | 39,318  |
| <b>Fund balance at beginning of year</b>    | 3,996,365               | 3,996,365           | 3,996,365           | -   |
| <b>Prior year encumbrances appropriated</b> | 499,463                 | 499,463             | 499,463             | -   |
| <b>Fund balance at end of year</b>          | <u>\$ 3,831,692</u>     | <u>\$ 4,025,536</u> | <u>\$ 4,064,854</u> | <u>\$ 39,318</u>  |

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, 2023

**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 92 non-certified and 110 certified employees to provide services to 1,396 students in preschool and grades K through 12.

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

As discussed in Note 2.D, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. The following are the Districts more significant accounting policies.

**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, 2023

**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 \$36,814 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 \$38,049 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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**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.

Ohio School Plan

The District belongs to the Ohio School Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 281 members.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

**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.

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 resources that are restricted for the acquisition, construction or improvement of permanent assets. The fund balance of this fund is restricted for capital improvements.



**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

*Capital projects fund* - The capital projects fund is used to account for resources that are committed the Board for the use in a potential Ohio Schools Facilities Construction Commission project. The fund balance of this fund is committed for capital improvements.

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. The District has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District has no custodial funds.

**C. Basis of Presentation**

*Government-Wide Financial Statements* - The statement of net position – cash basis and the statement of activities – cash basis 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 compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

All cash assets and net cash position associated with the operation of the District are included on the statement of net position - cash basis.

*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.

**D. Basis of Accounting**

Although Ohio Administrative Code § 117-2-03(B) requires the District's financial report to follow GAAP, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

As a result of the use of this cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). For the general fund, the difference between disbursements reported in the fund statement disbursements reported in the budgetary statement are due to current year encumbrances being added to disbursements reported on the budgetary statement.

**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 2023.
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 2023.
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 2023. All amounts reported in the budgetary statement reflect the original and final appropriations plus all modifications legally enacted by the Board.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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 2023, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, negotiable certificates of deposit (negotiable CDs), U.S. Treasury notes, U.S. Government money market mutual funds, and commercial paper. In accordance with the cash basis of accounting, all District investments are reported at cost, except STAR Ohio.

During fiscal year 2023, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours notice in advance of all deposits and withdrawals exceeding \$100 million is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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 2023 amounted to \$487,956, which includes \$281,636 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 and Prepaid Items**

The District reports cash disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

**I. Interfund Balances**

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net position. The District made no advances in or out during fiscal year 2023.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave. Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**K. Long-Term Obligations**

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset (including the intangible right to use) when entering into a lease transaction, or Subscription Based Information Technology Arrangement (SBITA) is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments and SBITA payments are reported when paid.

**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.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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

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

**M. Net Position**

Net cash position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have any net cash position restricted by enabling legislation at June 30, 2023. The amount of net position restricted for other purposes represents scholarship endowments made to the District that are restricted to college scholarships for which the District has administrative involvement.

**N. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**O. 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 2023.

**P. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability and net OPEB (asset), 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.

**Q. Leases**

The District is the lessee in various leases related to equipment under noncancelable leases. Lease payables are not reflected under the District's cash basis of accounting. Lease disbursements are recognized when they are paid.

**R. Subscription Based Information Technology Arrangements (SBITAs)**

The District has Subscription Based Information Technology Arrangements (SBITAs) under noncancelable arrangements. SBITA payables are not reflected under the District's cash basis of accounting. SBITA disbursements are recognized when they are received/paid.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2023, the District has implemented GASB Statement No. 91, “Conduit Debt Obligations”, GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”, GASB Statement No. 96, “Subscription Based Information Technology Arrangements”, certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, “Omnibus 2022”.

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the District.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the District.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The notes to the basic financial statements include the disclosure requirements under the Statement. Since the District does not prepare financial statements using generally accepted accounting principles, the implementation of GASB statement No. 96 did not have an effect in the financial statement of the District, as the District does not have material SBITA.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

**B. Compliance**

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**C. Deficit Fund Balances**

Fund balances at June 30, 2023 included the following individual fund deficits:

| <u>Nonmajor funds</u>                            | <u>Deficit</u> |
|--|----------------|
| IDEA, Part B                                     | \$ 14,431      |
| Title I  | 1,499          |
| Student Support and Academic Enrichment Programs | 1,410          |

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivision of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and,

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 the financial institution participating in the Ohio Polled Collateral System (OPCS) to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, 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, 2023, the District had \$3,950 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, 2023, the carrying amount of all District deposits was \$1,574,474. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2023, \$19,072 of the District's bank balance of \$1,646,326 was exposed to custodial risk as discussed below, while \$1,627,254 was covered by the OPCS and 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 fair 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.



**EDISON LOCAL SCHOOL DISTRICT  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

For 2023, the District's financial institutions pledged specific eligible securities to the District's and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times was at least 105 percent of the deposits being secured or participated in 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, 2023, the District had the following investments and maturities:

| Investment type                           | Carrying Value       | Investment Maturities |                     |                   |                   |                        |
|---|----------------------|-----------------------|---------------------|-------------------|-------------------|------------------------|
|   |                      | 6 months or less      | 7 to 12 months      | 13 to 18 months   | 19 to 24 months   | Greater than 24 months |
| FHLB                                      | \$ 464,916           | \$ 240,000            | \$ -                | \$ 224,916        | \$ -              | \$ -                   |
| FHLMC                                     | 584,854              | 124,854               | -                   | -                 | -                 | 460,000                |
| FNMA                                      | 99,807               | -                     | -                   | -                 | -                 | 99,807                 |
| FFCB                                      | 313,853              | -                     | -                   | 164,749           | -                 | 149,104                |
| Commercial Paper                          | 1,127,383            | 360,197               | 767,186             | -                 | -                 | -                      |
| U.S Treasury notes                        | 147,762              | -                     | -                   | -                 | 147,762           | -                      |
| Negotiable CDs                            | 582,138              | 149,700               | 332,538             | -                 | 99,900            | -                      |
| U.S. Government money market mutual funds | 19,222               | 19,222                | -                   | -                 | -                 | -                      |
| STAR Ohio                                 | 10,672,748           | 10,672,748            | -                   | -                 | -                 | -                      |
| <b>Total</b>                              | <b>\$ 14,012,683</b> | <b>\$ 11,566,721</b>  | <b>\$ 1,099,724</b> | <b>\$ 389,665</b> | <b>\$ 247,662</b> | <b>\$ 708,911</b>      |

*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:* Standard & Poor's has assigned STAR Ohio and the U.S. government money market mutual funds an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The federal agency securities (FHLB, FHLMC, FNMA, FFCB, and U.S Treasury notes) were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable CDs are not rated but are fully covered by the FDIC. The investments in commercial paper were rated A1 and A1+ by Standard & Poor's and P1 by Moody's. 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 federal agency securities and commercial paper 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.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* Ohio Revised Code § 135.142 limits the investment in commercial paper notes of a single issue to less than five percent of the aggregate interim monies available for investment at the time of purchase, and commercial paper cannot exceed ten percent of the issuer’s outstanding commercial paper. The following table includes the percentage of each investment type held by the District at June 30, 2023:

| Investment type                              | Carrying<br>Value    | % of Total    |
|--|----------------------|---------------|
| FHLB   | \$ 464,916           | 3.32          |
| FHLMC  | 584,854              | 4.17          |
| FNMA   | 99,807               | 0.71          |
| FFCB   | 313,853              | 2.24          |
| Commercial Paper                             | 1,127,383            | 8.05          |
| Negotiable CD's                              | 582,138              | 4.15          |
| U.S. government money<br>market mutual funds | 19,222               | 0.14          |
| U.S. Treasury notes                          | 147,762              | 1.05          |
| STAR Ohio                                    | 10,672,748           | 76.17         |
| Total  | <u>\$ 14,012,683</u> | <u>100.00</u> |

**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, 2023:

|   |                      |
|---|----------------------|
| <u>Cash and investments per note</u>                          |                      |
| Carrying amount of deposits                                   | \$ 1,574,474         |
| Investments   | 14,012,683           |
| Cash on hand  | <u>3,950</u>         |
| Total   | <u>\$ 15,591,107</u> |
| <br><u>Cash and investments per statement of net position</u> |                      |
| Governmental activities                                       | <u>\$ 15,591,107</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers during fiscal year 2023 consisted of the following, as reported on the fund financial statements:

|  |                     |
|--|---------------------|
| <u>Transfers from General fund to:</u> | <u>Amount</u>       |
| Capital projects fund                  | <u>\$ 2,200,000</u> |

Transfers are used to (1) move cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

**EDISON LOCAL SCHOOL DISTRICT  
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**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 2023 represent the collection of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed values as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2023 represent the collection of calendar year 2022 taxes. Public utility real and personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, 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, 2023, are available to finance fiscal year 2023 operations. 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. The assessed values upon which the fiscal year 2023 taxes were collected are:

|  | 2022 Second<br>Half Collections |               | 2023 First<br>Half Collections |               |
|--|---------------------------------|---------------|--------------------------------|---------------|
|  | Amount                          | Percent       | Amount                         | Percent       |
| Agricultural/residential<br>and other real estate  | \$ 256,709,190                  | 70.87         | \$ 260,995,190                 | 71.12         |
| Public utility personal                            | 105,515,390                     | 29.13         | 106,004,970                    | 28.88         |
| <b>Total</b>                                       | <b>\$ 362,224,580</b>           | <b>100.00</b> | <b>\$ 367,000,160</b>          | <b>100.00</b> |
| Tax rate per \$1,000 of<br>assessed valuation for: |                                 |               |                                |               |
| General  | \$61.25                         |               | \$61.17                        |               |
| Permanent improvement                              | 3.50                            |               | 3.50                           |               |

**NOTE 7 - 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.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 7 - OTHER EMPLOYEE BENEFITS- (Continued)**

**B. Sick Leave and Severance**

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

Sick leave for classified employees can be accumulated up to 235 days for nine-month employees, and 255 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-five days of severance pay. The additional pay will be calculated at the rate of pay in effect at the time of retirement.

**NOTE 8 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During 2023, the District contracted with the Ohio School Plan for the following insurance coverage:

| Type of Coverage                           | Coverage      |
|--|---------------|
| Property Coverage:                         |               |
| Blanket buildings and contents             | \$ 71,109,926 |
| Property Damage Additional Perils/Coverage | 71,109,926    |
| General Liability                          | 11,000,000    |
| Auto Liability                             | 11,000,000    |
| Uninsured Motorist                         | 50,000        |

Settled claims have not exceeded the commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

**B. Employee Insurance Benefits Program**

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 \$400,000 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - RISK MANAGEMENT- (Continued)**

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

Postemployment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12 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.

**C. Workers' Compensation**

For fiscal year 2023, the District participated in the Ohio School Boards Association Workers' Compensation Program (the Program). The third party administrator for the Program was CompManagement, Inc., a subsidiary of Sedgwick CMS Company. The intent of the Program is to assist the District to manage workers' compensation claims, the associated costs, and to potentially improve the District's risk management of worker related injuries. Participation in the Program is limited to school districts that can meet the Ohio School Boards Association's eligibility criteria.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability (Asset)***

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

Pensions and OPEB are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 pensions/OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients.

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The District’s 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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                              | Eligible to<br>Retire after<br>August 1, 2017  |
|------------------------------|---|--|
| Full benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2022, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2023, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$380,942 for fiscal year 2023.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - Licensed teachers participate in STRS, 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://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 (CO) 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 is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% 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 and after termination of employment.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2023 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$1,162,451 for fiscal year 2023.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share:

|  | <u>SERS</u>          | <u>STRS</u>          | <u>Total</u>  |
|--|----------------------|----------------------|---------------|
| Proportion of the net pension liability prior measurement date   | 0.074883500%         | 0.061985503%         |               |
| Proportion of the net pension liability current measurement date | <u>0.067884700%</u>  | <u>0.060579200%</u>  |               |
| Change in proportionate share                                    | <u>-0.006998800%</u> | <u>-0.001406303%</u> |               |
| Proportionate share of the net pension liability                 | 3,671,733            | 13,466,833           | \$ 17,138,566 |

***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.



**EDISON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - DEFINED BENEFIT PENSION 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 pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

|   |   |
|---|---|
| Wage inflation:                               |   |
| Current measurement date                      | 2.40%                                       |
| Prior measurement date                        | 2.40%                                       |
| Future salary increases, including inflation: |   |
| Current measurement date                      | 3.25% to 13.58%                             |
| Prior measurement date                        | 3.25% to 13.58%                             |
| COLA or ad hoc COLA:                          |   |
| Current measurement date                      | 2.00%                                       |
| Prior measurement date                        | 2.00%                                       |
| Investment rate of return:                    |   |
| Current measurement date                      | 7.00% net of system expenses                |
| Prior measurement date                        | 7.00% net of system expenses                |
| Discount rate:                                |   |
| Current measurement date                      | 7.00%                                       |
| Prior measurement date                        | 7.00%                                       |
| Actuarial cost method                         | Entry age normal (level percent of payroll) |

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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.

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

| Asset Class                 | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash                        | 2.00 %               | (0.45) %                                  |
| US Equity                   | 24.75                | 5.37                                      |
| Non-US Equity Developed     | 13.50                | 6.22                                      |
| Non-US Equity Emerging      | 6.75                 | 8.22                                      |
| Fixed Income/Global Bonds   | 19.00                | 1.20                                      |
| Private Equity              | 11.00                | 10.05                                     |
| Real Estate/Real Assets     | 16.00                | 4.87                                      |
| Multi-Asset Strategy        | 4.00                 | 3.39                                      |
| Private Debt/Private Credit | 3.00                 | 5.38                                      |
| Total                       | <u>100.00 %</u>      |   |

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.00%. 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 earnings were calculated using the long-term assumed investment rate of return (7.00%). 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 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|--|--------------|--------------------------|--------------|
| District's proportionate share<br>of the net pension liability | \$ 5,404,615 | \$ 3,671,733             | \$ 2,211,803 |

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation are presented below:

|                                      | June 30, 2022   | June 30, 2021   |
|--------------------------------------|---|---|
| Inflation                            | 2.50%   | 2.50%   |
| Projected salary increases           | Varies by service from 2.50% to 8.50%                     | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.00%, net of investment<br>expenses, including inflation | 7.00%, net of investment<br>expenses, including inflation |
| Discount rate of return              | 7.00%   | 7.00%   |
| Payroll increases                    | 3.00%   | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.00%   | 0.00%   |

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For the prior measurement date, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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:

| Asset Class          | Target<br>Allocation* | Long-Term Expected<br>Real Rate of Return ** |
|----------------------|-----------------------|--|
| Domestic Equity      | 26.00 %               | 6.60 %                                       |
| International Equity | 22.00                 | 6.80   |
| Alternatives         | 19.00                 | 7.38   |
| Fixed Income         | 22.00                 | 1.75   |
| Real Estate          | 10.00                 | 5.75   |
| Liquidity Reserves   | 1.00                  | 1.00   |
| Total                | <u>100.00 %</u>       |  |

\* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's 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 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table represents the net pension liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

|  | 1% Decrease   | Current<br>Discount Rate | 1% Increase  |
|--|---------------|--------------------------|--------------|
| District's proportionate share<br>of the net pension liability | \$ 20,343,481 | \$ 13,466,833            | \$ 7,651,317 |

*Changes Between Measurement Date and Reporting Date* - STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

**NOTE 10 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability (Asset)*

See Note 9 for a description of the net OPEB liability (asset).

*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 Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://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.

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**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment 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 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the District's surcharge obligation was \$47,989.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$47,989 for fiscal year 2023.

***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. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board 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% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Following is information related to the proportionate share:

|   | <u>SERS</u>          | <u>STRS</u>          | <u>Total</u>   |
|---|----------------------|----------------------|----------------|
| Proportion of the net OPEB liability (asset) prior measurement date   | 0.077335200%         | 0.061985503%         |                |
| Proportion of the net OPEB liability (asset) current measurement date | <u>0.069873700%</u>  | <u>0.060579200%</u>  |                |
| Change in proportionate share   | <u>-0.007461500%</u> | <u>-0.001406303%</u> |                |
| Proportionate share of the net OPEB liability                         | \$ 981,034           | \$ -                 | \$ 981,034     |
| Proportionate share of the net OPEB (asset)                           | \$ -                 | \$ (1,568,597)       | \$ (1,568,597) |

***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.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022 are presented below:

|  |   |
|--|---|
| Wage inflation:  |   |
| Current measurement date   | 2.40%   |
| Prior measurement date   | 2.40%   |
| Future salary increases, including inflation:  |   |
| Current measurement date   | 3.25% to 13.58%   |
| Prior measurement date   | 3.25% to 13.58%   |
| Investment rate of return:   |   |
| Current measurement date   | 7.00% net of investment<br>expense, including inflation |
| Prior measurement date   | 7.00% net of investment<br>expense, including inflation |
| Municipal bond index rate:   |   |
| Current measurement date   | 3.69%   |
| Prior measurement date   | 1.92%   |
| Single equivalent interest rate, net of plan investment expense,<br>including price inflation: |   |
| Current measurement date   | 4.08%   |
| Prior measurement date   | 2.27%   |
| Medical trend assumption:  |   |
| Current measurement date   | 7.00 to 4.40%   |
| Prior measurement date   |   |
| Medicare   | 5.125 to 4.400%   |
| Pre-Medicare   | 6.750 to 4.400%   |

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

In the prior measurement date, mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. 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 long-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, 7.00%, 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.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

| Asset Class                 | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash                        | 2.00 %               | (0.45) %                                  |
| US Equity                   | 24.75                | 5.37                                      |
| Non-US Equity Developed     | 13.50                | 6.22                                      |
| Non-US Equity Emerging      | 6.75                 | 8.22                                      |
| Fixed Income/Global Bonds   | 19.00                | 1.20                                      |
| Private Equity              | 11.00                | 10.05                                     |
| Real Estate/Real Assets     | 16.00                | 4.87                                      |
| Multi-Asset Strategy        | 4.00                 | 3.39                                      |
| Private Debt/Private Credit | 3.00                 | 5.38                                      |
| Total                       | <u>100.00 %</u>      |   |

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08%. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69% at June 30, 2022 and 1.92% at June 30, 2021.

**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, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).



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**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

|   | 1% Decrease  | Current<br>Discount Rate | 1% Increase  |
|---|--------------|--------------------------|--------------|
| District's proportionate share<br>of the net OPEB liability | \$ 1,218,459 | \$ 981,034               | \$ 789,368   |
|   | 1% Decrease  | Trend Rate               | 1% Increase  |
| District's proportionate share<br>of the net OPEB liability | \$ 756,553   | \$ 981,034               | \$ 1,274,242 |

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

|                                      | June 30, 2022   |          | June 30, 2021   |          |
|--------------------------------------|---|----------|---|----------|
| Inflation                            | 2.50%   |          | 2.50%   |          |
| Projected salary increases           | Varies by service from 2.50%<br>to 8.50%                  |          | 12.50% at age 20 to<br>2.50% at age 65                    |          |
| Investment rate of return            | 7.00%, net of investment<br>expenses, including inflation |          | 7.00%, net of investment<br>expenses, including inflation |          |
| Payroll increases                    | 3.00%   |          | 3.00%   |          |
| Cost-of-living adjustments<br>(COLA) | 0.00%   |          | 0.00%   |          |
| Discount rate of return              | 7.00%   |          | 7.00%   |          |
| Blended discount rate of return      | N/A   |          | N/A   |          |
| Health care cost trends              |   |          |   |          |
|                                      | Initial   | Ultimate | Initial   | Ultimate |
| Medical                              |   |          |   |          |
| Pre-Medicare                         | 7.50%   | 3.94%    | 5.00%   | 4.00%    |
| Medicare                             | -68.78%   | 3.94%    | -16.18%   | 4.00%    |
| Prescription Drug                    |   |          |   |          |
| Pre-Medicare                         | 9.00%   | 3.94%    | 6.50%   | 4.00%    |
| Medicare                             | -5.47%  | 3.94%    | 29.98%  | 4.00%    |

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

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

**Assumption Changes Since the Prior Measurement Date** - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

**Benefit Term Changes Since the Prior Measurement Date** - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

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:

| Asset Class          | Target<br>Allocation* | Long-Term Expected<br>Real Rate of Return ** |
|----------------------|-----------------------|--|
| Domestic Equity      | 26.00 %               | 6.60 %                                       |
| International Equity | 22.00                 | 6.80   |
| Alternatives         | 19.00                 | 7.38   |
| Fixed Income         | 22.00                 | 1.75   |
| Real Estate          | 10.00                 | 5.75   |
| Liquidity Reserves   | 1.00                  | 1.00   |
| Total                | <u>100.00 %</u>       |  |

\* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

\*\*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's 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 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

**Sensitivity of the District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB (asset) as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB (asset) 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)**

|   | 1% Decrease    | Current<br>Discount Rate | 1% Increase    |
|---|----------------|--------------------------|----------------|
| District's proportionate share<br>of the net OPEB (asset) | \$ (1,450,127) | \$ (1,568,597)           | \$ (1,670,077) |
|   | 1% Decrease    | Trend Rate               | 1% Increase    |
| District's proportionate share<br>of the net OPEB (asset) | \$ (1,627,017) | \$ (1,568,597)           | \$ (1,494,857) |

**NOTE 11 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the cash basis, 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 receipts, disbursements 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 cash basis are that:

- (a) 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 a cash disbursement, as opposed to assigned, committed, or restricted fund cash balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis) but have separate legally adopted budgets (budget basis).

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

|                             | General fund |
|-----------------------------|--------------|
| Budget basis                | \$ (430,974) |
| Funds budgeted elsewhere    | (414)        |
| Adjustment for encumbrances | 406,528      |
| Cash basis                  | \$ (24,860)  |

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 12 - 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**

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 and Workforce (DEW) 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 2023 FTE reviews, an immaterial intergovernmental payable is due from the District to DEW.

**NOTE 13 - 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.

|   | Capital<br>Improvements |
|---|-------------------------|
| Set-aside balance June 30, 2022             | \$ -                    |
| Current year set-aside requirement          | 297,363                 |
| Current year offsets                        | (881,695)               |
| Total                                       | \$ (584,332)            |
| Balance carried forward to fiscal year 2024 | \$ -                    |
| Set-aside balance June 30, 2023             | \$ -                    |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**NOTE 14 - 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<br/>Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund                | \$ 416,080                       |
| Permanent improvement fund  | 120,978                          |
| Capital projects fund       | 76,837                           |
| Nonmajor governmental funds | <u>333,398</u>                   |
| Total                       | <u>\$ 947,293</u>                |

**NOTE 15 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Other governments entered into property tax abatement agreements with property owners under Enterprise Zone Agreements (EZAs) and the Ohio Community Reinvestment Area (CRA) program within the taxing districts of the District. The EZAs and CRA program are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing structures and promote the development of new structures.

For the District, the Norwalk has entered into EZAs and CRA agreements that have caused a reduction to the District's property tax receipts. During fiscal year 2023, the District's property tax receipts were reduced as follows:

| <u>Government Entering<br/>Into Agreement</u> | <u>District Forgone<br/>Taxes Revenue</u> |
|---|---|
| Milan Township                                | <u>\$ 11,336</u>                          |

The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

**EDISON LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

| <b>FEDERAL GRANTOR</b><br><i>Pass Through Grantor</i><br>Program / Cluster Title                         | <b>Federal<br/>AL<br/>Number</b> | <b>Total Federal<br/>Expenditures</b> |
|--|----------------------------------|---------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |                                  |                                       |
| <i>Passed Through Ohio Department of Education and Workforce</i>   |                                  |                                       |
| <u>Child Nutrition Cluster:</u>  |                                  |                                       |
| School Breakfast Program   | 10.553                           | \$ 185,306                            |
| National School Lunch Program  | 10.555                           | 503,825                               |
| COVID-19 National School Lunch Program   | 10.555                           | 38,919                                |
| Non-cash Assistance (Food Distribution)  | 10.555                           | 65,492                                |
| Total National School Lunch Program  |                                  | <u>608,236</u>                        |
| Total Child Nutrition Cluster  |                                  | <u>793,542</u>                        |
| COVID-19 Pandemic EBT Administrative Costs   | 10.649                           | <u>628</u>                            |
| <b>Total U.S. Department of Agriculture</b>  |                                  | <b><u>794,170</u></b>                 |
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                                  |                                       |
| <i>Consortium Amount Passed/Transferred to Consortium to Educational Service Center of Lorain County</i> |                                  |                                       |
| English Language Acquisition State Grants  | 84.365A                          | 3,775                                 |
| <i>Passed Through Ohio Department of Education and Workforce</i>   |                                  |                                       |
| Title I Grants to Local Educational Agencies   | 84.010A                          | 257,440                               |
| <u>Special Education Cluster (IDEA):</u>   |                                  |                                       |
| Special Education - Grant to States  | 84.027A                          | 335,348                               |
| COVID-19 Special Education - Grant to States   | 84.027X                          | 26,831                                |
| Special Education - Preschool Grants   | 84.173A                          | 9,322                                 |
| COVID-19 Special Education - Preschool Grants  | 84.173X                          | 287                                   |
| Total Special Education Cluster (IDEA)   |                                  | <u>371,788</u>                        |
| Student Support and Academic Enrichment Program  | 84.424A                          | 25,137                                |
| <u>Education Stabilization Fund:</u>   |                                  |                                       |
| COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)                                | 84.425D                          | 709,178                               |
| COVID-19 American Rescue Plan Act Elementary and Secondary School Emergency Relief (ARP ESSER) Fund      | 84.425U                          | 410,697                               |
| COVID-19 Emergency Relief - Homeless Children and Youth  | 84.425W                          | 289                                   |
| Total Education Stabilization Fund   |                                  | <u>1,120,164</u>                      |
| <b>Total U.S. Department of Education</b>  |                                  | <b><u>1,778,304</u></b>               |
| <b>U.S. DEPARTMENT OF TREASURY</b>   |                                  |                                       |
| <i>Passed Through Ohio Office of Budget and Management</i>   |                                  |                                       |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds   | 21.027                           | <u>112,440</u>                        |
| <b>Total U.S. Department of Treasury</b>   |                                  | <b><u>112,440</u></b>                 |
| <b>Total Expenditures of Federal Awards</b>  |                                  | <b><u>\$ 2,684,914</u></b>            |

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, 2023**

**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, Erie County, Ohio (the District) under programs of the federal government for the year ended June 30, 2023. 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 respective program that benefitted from the use of those donated food commodities.

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education and Workforce's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2023 to 2024 programs:

| <u>Program Title</u>  | <u>AL Number</u> | <u>Amt.<br/>Transferred</u> |
|---|------------------|-----------------------------|
| Title I Grants to Local Educational Agencies  | 84.010A          | \$ 10,054                   |
| Special Education - Grants to States  | 84.027A          | \$ 7,871                    |
| Preschool Special Education - Grants to States  | 84.173A          | \$ 1,453                    |
| Supporting Effective Instruction State Grants   | 84.367A          | \$ 1,576                    |
| Student Support and Academic Enrichment Program   | 84.424A          | \$ 2,868                    |
| American Rescue Plan Act Elementary and Secondary School<br>Emergency Relief Fund (ARP ESSER) | 84.425U          | \$ 659,432                  |
| Emergency Relief - Homeless Children and Youth  | 84.425W          | \$ 10,358                   |

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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 44846-9735

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis 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, 2023, 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 21, 2024, wherein we noted the District uses a special framework other than generally accepted accounting principles.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

***District's Response to the Finding***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding is identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 21, 2024

# OHIO AUDITOR OF STATE KEITH FABER



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

Edison Local School District  
Erie County  
140 South Main Street  
Milan, Ohio 44846-9735

To the Board of Education:

### Report on Compliance for the Major Federal Program

#### *Opinion on the Major Federal Program*

We have audited Edison Local School District, Erie County, Ohio's, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Edison Local School District's major federal program for the year ended June 30, 2023. Edison Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Edison Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

#### *Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

The District's management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 21, 2024

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**EDISON LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2023**

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified                                 |
| <b>(d)(1)(ii)</b>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Program's Compliance Opinion</b>   | Unmodified                                 |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Program (list):</b>  | Education Stabilization Fund AL #84.425    |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR § 200.520?</b>  | No   |

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

**FINDING NUMBER 2023-001**

**Noncompliance Citation**

**Ohio Rev. Code §117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:**

See Corrective Action Plan.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



**BOARD OF EDUCATION**  
 Matthew McClester-President  
 Patricia Cuthbertson-Vice President  
 Mark Suhanic  
 Brian Chase  
 Stephen Berry



**Mr. Corey L. Ream**  
 Superintendent of Schools

140 S. Main Street  
 Milan, OH 44846-9735  
 Phone: (419) 499-3000, ext. 1111  
 Fax: (419) 499-4859

**Stephanie Hanna – Treasurer**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 2 CFR 200.511(b)  
 JUNE 30, 2023**

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Status</b>  | <b>Additional Information</b>  |
|-----------------------|--|--|--|
| 2022-001              | Finding was first reported during the audit of the 2020 financial statements. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than accounting principles generally accepted in the United States of America. | Not corrected and reissued as Finding 2023-001 in this report. | This issue is due to the District choosing to file on a cash-basis of accounting due to the additional costs of preparing the financial statements according to Generally Accepted Accounting Principles (GAAP). |

**BOARD OF EDUCATION**  
Matthew McClester-President  
Patricia Cuthbertson-Vice President  
Mark Suhanic  
Brian Chase  
Stephen Berry



**Mr. Corey L. Ream**  
Superintendent of Schools

140 S. Main Street  
Milan, OH 44846-9735  
Phone: (419) 499-3000, ext. 1111  
Fax: (419) 499-4859

**Stephanie Hanna – Treasurer**

---

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2023**

**Finding Number:** 2023-001  
**Planned Corrective Action:** The Board, Superintendent and Treasurer/CFO believe that reporting on a cash basis rather than GAAP (Generally Accepted Accounting Principles) is the most cost effective way to complete our audit without presenting a risk for the District in regards to assets and debts.  
**Anticipated Completion Date:** N/A  
**Responsible Contact Person:** Stephanie Hanna, Treasurer

# OHIO AUDITOR OF STATE KEITH FABER



**EDISON LOCAL SCHOOL DISTRICT**

**ERIE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/28/2024**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)