



OHIO AUDITOR OF STATE
KEITH FABER



**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY
JUNE 30, 2020**

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BUTLER COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Edgewood City School District
Butler County
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood City School District, Butler County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood City School District, Butler County, Ohio as of June 30, 2020, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. Also, as discussed in Note 3 to the financial statements, during 2020, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
February 19, 2021

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The management's discussion and analysis of the Edgewood City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position of governmental activities decreased \$7,359,266 which represents a 311.56% decrease from 2019's restated net position.
- General revenues accounted for \$32,626,939 in revenue or 77.49% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$9,477,698 or 22.51% of total revenues of \$42,104,637.
- The District had \$49,463,903 in expenses related to governmental activities; only \$9,477,698 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$32,626,939 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$34,129,161 in revenues and other financing sources and \$38,090,513 in expenditures and other financing uses. During fiscal year 2020, the general fund's fund balance decreased \$3,961,352 from a restated fund balance of \$10,914,910 to a fund balance of \$6,953,558.
- Another District major governmental fund, the debt service fund, had \$22,187,109 in revenues and other financing sources and \$21,493,350 in expenditures and other financing uses. During fiscal year 2020, the debt service fund's fund balance increased \$693,759 from a balance of \$1,943,059 to a balance of \$2,636,818.

Using the Basic Financial Statements

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 19-20 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21-25 of this report.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in a custodial fund. All of the District's fiduciary activities are reported in a separate statement (statement of changes in fiduciary net position) on page 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-69 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and the net OPEB liability/asset. The required supplementary information can be found on pages 72-87 of this report.

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3.B in the notes to the basic financial statements.

	Net Position	
	Governmental Activities 2020	(Restated) Governmental Activities 2019
<u>Assets</u>		
Current and other assets	\$ 32,951,032	\$ 35,772,711
Net OPEB asset	2,396,204	2,311,295
Capital assets, net	<u>47,785,368</u>	<u>49,643,583</u>
Total assets	<u>83,132,604</u>	<u>87,727,589</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	1,713,116	347,725
Pension	8,807,187	12,136,216
OPEB	<u>961,572</u>	<u>793,368</u>
Total deferred outflows of resources	<u>11,481,875</u>	<u>13,277,309</u>
<u>Liabilities</u>		
Current liabilities	5,133,775	4,835,015
Long-term liabilities:		
Due within one year	1,983,717	1,690,848
Due in more than one year:		
Net pension liability	41,118,337	40,442,224
Net OPEB liability	3,905,489	4,309,646
Other amounts	<u>30,399,163</u>	<u>30,241,438</u>
Total liabilities	<u>82,540,481</u>	<u>81,519,171</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	15,785,574	15,290,016
Pension	1,911,320	2,479,341
OPEB	<u>4,098,478</u>	<u>4,078,478</u>
Total deferred inflows of resources	<u>21,795,372</u>	<u>21,847,835</u>
<u>Net Position</u>		
Net Investment in capital assets	19,355,766	19,986,752
Restricted	4,251,880	3,658,310
Unrestricted (deficit)	<u>(33,329,020)</u>	<u>(26,007,170)</u>
Total net position (deficit)	<u>\$ (9,721,374)</u>	<u>\$ (2,362,108)</u>

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

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

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

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

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

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9,721,374.

At year-end, capital assets represented 57.48% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2020 was \$19,355,766. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$4,251,880, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$33,329,020. The deficit balance of unrestricted net position was the result of reporting the net pension liability and net OPEB liability required by GASB 68 and 75.

The table below shows the change in net position for fiscal years 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3.B in the notes to the basic financial statements.

	Change in Net Position	
	Governmental	(Restated)
	Activities	Governmental
	<u>2020</u>	<u>2019</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 4,125,959	\$ 4,327,979
Operating grants and contributions	5,333,645	4,934,484
Capital grants and contributions	18,094	14,229
General revenues:		
Property taxes	15,458,933	18,270,551
Payments in lieu of taxes	80,059	79,943
Grants and entitlements	16,605,036	17,413,293
Investment earnings	332,011	444,978
Other	<u>150,900</u>	<u>145,458</u>
Total revenues	<u>\$ 42,104,637</u>	<u>\$ 45,630,915</u>

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

	Change in Net Position (Continued)	
	(Restated)	
	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 20,870,257	\$ 16,884,753
Special	6,723,115	5,395,705
Other	91,162	63,288
Support services:		
Pupil	3,869,681	3,205,539
Instructional staff	1,826,955	1,410,745
Board of education	179,629	240,446
Administration	2,894,230	2,323,684
Fiscal	968,521	835,483
Business	186,245	132,030
Operations and maintenance	4,950,017	5,456,103
Pupil transportation	1,974,877	1,754,521
Central	843,112	364,485
Operations of non-instructional services:		
Other non-instructional services	45,227	35,935
Food service operations	1,770,722	1,679,517
Extracurricular activities	1,055,136	1,076,371
Interest and fiscal charges	<u>1,215,017</u>	<u>1,278,996</u>
Total expenses	<u>49,463,903</u>	<u>42,137,601</u>
Change in net position	(7,359,266)	3,493,314
Net position (deficit) at beginning of year (restated)	<u>(2,362,108)</u>	<u>(5,855,422)</u>
Net position (deficit) at end of year	<u>\$ (9,721,374)</u>	<u>\$ (2,362,108)</u>

Governmental Activities

Net position of the District's governmental activities decreased \$7,359,266. Total governmental expenses of \$49,463,903 were offset by program revenues of \$9,477,698 and general revenues of \$32,626,939. Program revenues supported 19.16% of the total governmental expenses.

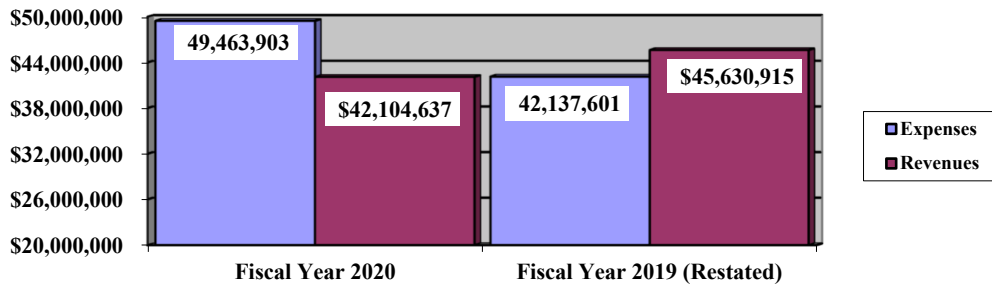
The primary sources of revenue for governmental activities are derived from property taxes, payment in lieu of taxes, and grants and entitlements. These revenue sources represent 76.34% of total governmental revenue. Real estate property is reappraised every six years. The decrease in property tax revenue for fiscal year 2020 was due to fluctuations in the amount of tax advance available from the Butler County Auditor at fiscal year-end. The tax advance available for the fiscal years ended June 30, 2020, 2019, 2018 and 2017 were \$914,238, \$827,596, \$1,652,871, and \$3,249,646 respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by County Auditors. The amount of tax advance available at fiscal year-end is reported as revenue in that fiscal year.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2020 and 2019 (restated).

Governmental Activities - Revenues and Expenses



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

Governmental Activities

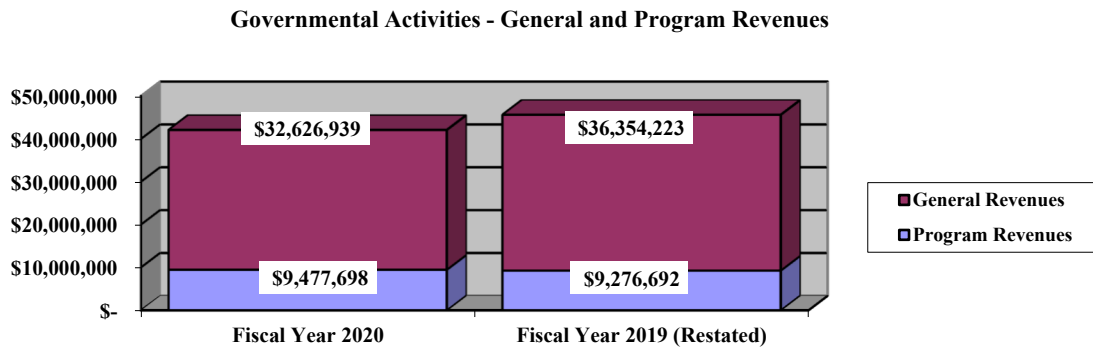
	Total Cost of Services 2020	Net Cost of Services 2020	(Restated) Total Cost of Services 2019	(Restated) Net Cost of Services 2019
<u>Program expenses</u>				
Instruction:				
Regular	\$ 20,870,257	\$ 17,825,384	\$ 16,884,753	\$ 14,353,512
Special	6,723,115	2,964,886	5,395,705	1,731,109
Other	91,162	91,162	63,288	63,288
Support services:				
Pupil	3,869,681	3,612,784	3,205,539	2,935,502
Instructional staff	1,826,955	1,650,609	1,410,745	1,230,795
Board of education	179,629	179,629	240,446	220,541
Administration	2,894,230	2,856,777	2,323,684	2,283,284
Fiscal	968,521	968,521	835,483	835,483
Business	186,245	186,245	132,030	132,030
Operations and maintenance	4,950,017	4,625,492	5,456,103	5,104,863
Pupil transportation	1,974,877	1,922,841	1,754,521	1,698,797
Central	843,112	843,112	364,485	364,485
Operation of non-instructional services:				
Other non-instructional services	45,227	(19,384)	35,935	26,470
Food service operations	1,770,722	405,245	1,679,517	(17,732)
Extracurricular activities	1,055,136	657,885	1,076,371	619,486
Interest and fiscal charges	1,215,017	1,215,017	1,278,996	1,278,996
Total	\$ 49,463,903	\$ 39,986,205	\$ 42,137,601	\$ 32,860,909

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, as 75.43% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.84%. Taxes and intergovernmental state revenues are by far the primary sources of support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2020 and 2019 (restated).



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$11,932,676, which is lower than last year's restated total of \$15,364,042. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019 (restated).

	Fund Balance <u>June 30, 2020</u>	(Restated) Fund Balance <u>June 30, 2019</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 6,953,558	\$ 10,914,910	\$ (3,961,352)	(36.29) %
Debt service	2,636,818	1,943,059	693,759	35.70 %
Other governmental	<u>2,342,300</u>	<u>2,506,073</u>	<u>(163,773)</u>	(6.54) %
Total	<u>\$ 11,932,676</u>	<u>\$ 15,364,042</u>	<u>\$ (3,431,366)</u>	(22.33) %

General Fund

The District's general fund balance decreased \$3,961,352. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

	2020 <u>Amount</u>	(Restated) 2019 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 11,902,145	\$ 13,894,592	\$ (1,992,447)	(14.34) %
Tuition	2,601,583	2,286,819	314,764	13.76 %
Earnings on investments	353,170	439,006	(85,836)	(19.55) %
Intergovernmental	18,504,520	19,157,718	(653,198)	(3.41) %
Other revenues	<u>730,969</u>	<u>923,006</u>	<u>(192,037)</u>	(20.81) %
Total	<u>\$ 34,092,387</u>	<u>\$ 36,701,141</u>	<u>\$ (2,608,754)</u>	(7.11) %
<u>Expenditures</u>				
Instruction	\$ 23,454,627	\$ 22,488,720	\$ 965,907	4.30 %
Support services	14,034,451	13,632,152	402,299	2.95 %
Operation of non-instructional services	15,310	20,007	(4,697)	(23.48) %
Extracurricular activities	<u>585,625</u>	<u>616,262</u>	<u>(30,637)</u>	(4.97) %
Total	<u>\$ 38,090,013</u>	<u>\$ 36,757,141</u>	<u>\$ 1,332,872</u>	3.63 %

Revenues and expenditures of the general fund decreased \$2,608,754 or 7.11% and increased \$1,332,872 or 3.63%, respectively. The decrease in property tax revenue for fiscal year 2020 was due to fluctuations in the amount of tax advance available from the Butler County Auditor at fiscal year-end. The tax advance available for the fiscal years ended June 30, 2020, 2019, 2018 and 2017 were \$914,238, \$827,596, \$1,652,871, and \$3,249,646 respectively. The amount of tax advance available can vary depending upon when tax bills are sent out by County Auditors. It should also be noted, that events in recent years have significantly affected the District local property taxes. As a result of the recession, stricter regulations in the banking industry and high unemployment, construction of new homes has sharply declined. All other revenue and expenditures remained comparable to the prior fiscal year.

Debt Service Fund

The debt service fund, had \$22,187,109 in revenues and other financing sources and \$21,493,350 in expenditures and other financing uses. During fiscal year 2020, the debt service fund's fund balance increased \$693,759 from a balance of \$1,943,059 to a balance of \$2,636,818. The District issued general obligation refunding bonds in the amount of \$16,859,687 in the current fiscal year to refund a portion on the 2011 school improvement bonds and the 2013 general obligation refunding bonds.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$34,474,663, which was more than the original budgeted revenues and other financing sources estimate of \$34,342,421. Actual revenues and other financing sources remained the same as the final budget for fiscal year 2020 of \$34,474,663.

General fund final appropriations and other financing uses of \$38,454,844 were less than the original budgeted appropriations and other financing uses of \$38,583,610. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$38,707,924, which was \$253,080 more than final budget appropriations and other financing uses.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$47,785,368 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table show June 30, 2020 balances compared to June 30, 2019:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 2,330,689	\$ 2,330,689
Construction in progress	354,413	-
Land improvements	1,219,832	1,298,097
Building and improvements	41,597,884	43,764,420
Equipment and furniture	1,074,115	981,965
Vehicles	<u>1,208,435</u>	<u>1,268,412</u>
Total	<u>\$ 47,785,368</u>	<u>\$ 49,643,583</u>

The overall decrease in capital assets of \$1,858,215 is primarily due to depreciation expense of \$2,867,816 exceeding capital outlays of \$1,009,601. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2020, the District had \$27,608,371 in general obligation bonds outstanding. Of this total, \$1,660,000 is due within one year and \$25,948,371 is due in greater than one year.

The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental	Governmental
	Activities	Activities
	<u>2020</u>	<u>2019</u>
General obligation bonds:		
Refunding bonds	<u>\$ 27,608,371</u>	<u>\$ 29,005,000</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Current Financial Related Activities

The District receives the majority of its funding from two sources: local property taxes and state foundation. The percentages for fiscal year 2020 for the general operating fund were 49.9% and 50.1% respectively. In addition, as a result of ballot initiatives, the State of Ohio authorized the construction of four casinos around the state. A portion of the revenues generated from these casinos is targeted for public schools, based on the District's enrollment. School districts receive payments each August and January. The District received \$206,000 for fiscal year 2020. Regarding expenditures, salaries and benefits comprised approximately 82.6% of total general fund operating expenses and 91.7% of general fund operating revenues in fiscal year 2020.

The District's Five-Year Forecast shows strong cash balances through fiscal year 2021. On May 5, 2015, the District placed a 5.40 mil substitute levy (this was replacing the expiring 6.19 mil substitute levy passed in November 2010 on the ballot). This levy passed by 153 votes. This levy generates approximately \$2.6M per year. The community once again passed this renewal in the April 2020 election.

Included in this forecast are amounts related to negotiated agreements with both of our bargaining units. In September 2019, the Board, OAPSE and ETA agreed on a new contract for fiscal years 2020 through 2022 for language, and fiscal years 2020 and 2021 for money. We will have a re-opener for money for 2022.

All members of OAPSE and ETA received a 2.25% raise in base pay for both fiscal year 2020 and fiscal year 2021 and received a \$500 bonus payable in fiscal year 2014 and a 2% raise each year for the next three fiscal years beginning in fiscal year 2015. All members who were eligible also received steps in accordance with their experience. The bonus and 2% increases were also put in place for all exempt and administrative employees.

Health care costs continue to be a significant part of the District's fringe benefit expenditures. This industry nationwide has seen double digit increases over the last several years. These increases have been felt by our District and have placed a considerable strain on our overall fringe benefit costs. Since its inception, the District was a member in a county wide consortium that participated in a self-funded health and dental plan. Effective January 1, 2012, the District left the consortium and instead opted to go fully insured company for health and dental insurances.

In the spring of 2019, the District learned that all districts who are part of the Educational Purchasing Council (EPC) would be seeing increases in our health insurance premiums in 2020 ranging from 17% to 26%. Our increase would be 22%. During negotiations, both groups agreed to switch from the Preferred Provider Organization (PPO) to a High Deductible Health Plan (HDHP). By doing this, the increase would only be 2.8%. By switching, the board was able to take the savings and agree to fund the Health Savings Accounts (HAS) associated with an HDHP at 100% of the annual deductible (\$4,000 family; \$2,000 single) for calendar year 2020, and at 50% for calendar years 2021 and 2022. The 2021 increase to the District's health insurance will be 7.5%.

Dental insurance is provided by Superior Dental. The board switched from MetLife effective January 1, 2016, based on Superior Dental coming in with a 6.5% reduced rate from MetLife. In addition, Superior Dental guaranteed to lock us in at the January 1, 2016, rate for the calendar year 2017, 2018 and 2019. The split between board share and employee share for dental insurance is 90/10 respectively. The increase for calendar years 2020 and 2021 will be 5% respectively.

Dental insurance is provided by Superior Dental. The split between board share and employee share for dental insurance is 90/10, respectively. The District's brokers will be able to negotiate a zero (0) increase of 2021.

The District is required by law to pay 14% of an employees' salary into the State Teachers Retirement System or School Employees Retirement System. As salaries increase or decrease, the portion the District pays into the retirement systems increases or decreases accordingly.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Our workers comp premium for the last several calendar years averaged between \$150,000 and \$160,000. Our forecast includes a modest increase of 3% for each year as we continue to see positive effects for programs that have been implemented in the District as well as rebates we receive for participating in a Group Retro Plan sponsored by the Cincinnati Regional Chamber of Commerce and managed by Sheakley.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Randy Stiver, Treasurer, Edgewood City School District, 3440 Busenbark Road, Trenton, Ohio, 45067-9798.

**BASIC
FINANCIAL STATEMENTS**

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 15,624,607
Receivables:	
Property taxes	16,732,228
Accounts.	12,421
Accrued interest	14,139
Intergovernmental	517,170
Prepayments	1,700
Materials and supplies inventory.	11,736
Inventory held for resale.	37,031
Net OPEB asset	2,396,204
Capital assets:	
Nondepreciable capital assets	2,685,102
Depreciable capital assets, net.	45,100,266
Capital assets, net	47,785,368
Total assets.	83,132,604
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,713,116
Pension	8,807,187
OPEB	961,572
Total deferred outflows of resources	11,481,875
 Liabilities:	
Accounts payable.	122,696
Contracts payable.	29,345
Accrued wages and benefits payable	4,095,463
Intergovernmental payable	178,859
Pension and postemployment benefits.	625,462
Accrued interest payable	81,950
Long-term liabilities:	
Due within one year.	1,983,717
Due in more than one year:	
Net pension liability	41,118,337
Net OPEB liability	3,905,489
Other amounts due in more than one year	30,399,163
Total liabilities	82,540,481
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	15,785,574
Pension.	1,911,320
OPEB	4,098,478
Total deferred inflows of resources	21,795,372
 Net position:	
Net investment in capital assets	19,355,766
Restricted for:	
Capital projects	353,655
Classroom facilities maintenance	834,089
Debt service.	2,542,361
Other purposes	96,448
State funded programs.	202,406
Federally funded programs	4,461
Extracurricular	218,460
Unrestricted (deficit)	(33,329,020)
Total net position (deficit).	\$ (9,721,374)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 20,870,257	\$ 2,630,241	\$ 414,632	\$ -	\$ (17,825,384)
Special	6,723,115	326,151	3,432,078	-	(2,964,886)
Other	91,162	-	-	-	(91,162)
Support services:					
Pupil	3,869,681	7,876	249,021	-	(3,612,784)
Instructional staff	1,826,955	11,659	164,687	-	(1,650,609)
Board of education	179,629	-	-	-	(179,629)
Administration	2,894,230	34,148	3,305	-	(2,856,777)
Fiscal	968,521	-	-	-	(968,521)
Business	186,245	-	-	-	(186,245)
Operations and maintenance	4,950,017	235,542	70,889	18,094	(4,625,492)
Pupil transportation	1,974,877	1,485	50,551	-	(1,922,841)
Central	843,112	-	-	-	(843,112)
Operation of non-instructional services:					
Other non-instructional services	45,227	-	64,611	-	19,384
Food service operations	1,770,722	530,643	834,834	-	(405,245)
Extracurricular activities	1,055,136	348,214	49,037	-	(657,885)
Interest and fiscal charges	1,215,017	-	-	-	(1,215,017)
Total governmental activities	\$ 49,463,903	\$ 4,125,959	\$ 5,333,645	\$ 18,094	(39,986,205)

General revenues:

Property taxes levied for:	
General purposes	11,809,903
Debt service	2,703,352
Facilities maintenance	189,812
Capital outlay	755,866
Payments in lieu of taxes	80,059
Grants and entitlements not restricted	
to specific programs	16,605,036
Investment earnings	332,011
Miscellaneous	150,900
Total general revenues	32,626,939
Change in net position	(7,359,266)
Net position (deficit) at beginning of year (restated).	(2,362,108)
Net position (deficit) at end of year	\$ (9,721,374)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 10,232,146	\$ 2,636,818	\$ 2,755,643	\$ 15,624,607
Receivables:				
Property taxes	13,031,977	2,708,177	992,074	16,732,228
Accounts	12,336	-	85	12,421
Accrued interest	14,139	-	-	14,139
Interfund loans	384,071	-	-	384,071
Intergovernmental	154,752	-	362,418	517,170
Prepayments	1,700	-	-	1,700
Materials and supplies inventory	-	-	11,736	11,736
Inventory held for resale	-	-	37,031	37,031
Total assets	<u>\$ 23,831,121</u>	<u>\$ 5,344,995</u>	<u>\$ 4,158,987</u>	<u>\$ 33,335,103</u>
Liabilities:				
Accounts payable	\$ 72,604	\$ -	\$ 50,092	\$ 122,696
Contracts payable	-	-	29,345	29,345
Accrued wages and benefits payable	3,808,640	-	286,823	4,095,463
Compensated absences payable	21,136	-	-	21,136
Intergovernmental payable	175,190	-	3,669	178,859
Pension and postemployment benefits	569,848	-	55,614	625,462
Interfund loans payable	-	-	384,071	384,071
Total liabilities	<u>4,647,418</u>	<u>-</u>	<u>809,614</u>	<u>5,457,032</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	12,093,762	2,702,000	989,812	15,785,574
Delinquent property tax revenue not available	23,977	6,177	2,262	32,416
Intergovernmental revenue not available	104,904	-	14,999	119,903
Accrued interest not available	7,502	-	-	7,502
Total deferred inflows of resources	<u>12,230,145</u>	<u>2,708,177</u>	<u>1,007,073</u>	<u>15,945,395</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	11,736	11,736
Prepays	1,700	-	-	1,700
Restricted:				
Debt service	-	2,636,818	-	2,636,818
Capital improvements	-	-	353,655	353,655
Student wellness and success	-	-	162,841	162,841
Classroom facilities maintenance	-	-	834,089	834,089
Other purposes	-	-	125,737	125,737
Extracurricular	-	-	218,460	218,460
Scholarships	-	-	11,246	11,246
Committed:				
Capital improvements	-	-	934,382	934,382
Student and staff support	106,305	-	-	106,305
Student instruction	100,141	-	-	100,141
Assigned:				
Student instruction	586	-	-	586
Student and staff support	225,046	-	-	225,046
Subsequent year's appropriations	3,250,882	-	-	3,250,882
Other purposes	5,976	-	-	5,976
Unassigned (deficit)	3,262,922	-	(309,846)	2,953,076
Total fund balances	<u>6,953,558</u>	<u>2,636,818</u>	<u>2,342,300</u>	<u>11,932,676</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 23,831,121</u>	<u>\$ 5,344,995</u>	<u>\$ 4,158,987</u>	<u>\$ 33,335,103</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total governmental fund balances		\$	11,932,676
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			47,785,368
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	32,416	
Accrued interest receivable		7,502	
Intergovernmental receivable		119,903	
Total		119,903	159,821
Unamortized premiums on bonds and refunding bonds issued are not recognized in the funds.			(2,523,686)
Unamortized amounts on refundings are not recognized in the funds.			1,713,116
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		8,807,187	
Deferred inflows of resources - pension		(1,911,320)	
Net pension liability		(41,118,337)	
Total		(41,118,337)	(34,222,470)
The net OPEB liability/asset is not due and payable in the current period; therefore, liability/asset and related deferred inflows are not reported in governmental funds.			
Deferred outflows - OPEB		961,572	
Deferred Inflows - OPEB		(4,098,478)	
Net OPEB asset		2,396,204	
Net OPEB liability		(3,905,489)	
Total		(3,905,489)	(4,646,191)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(81,950)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(3,845,000)	
General obligation capital appreciation bonds		(114,687)	
General obligation serial bonds and refunding bonds		(17,235,000)	
General obligation term refunding bonds		(6,395,000)	
Accretion of interest - capital appreciation bonds		(18,684)	
Compensated absences		(2,229,687)	
Total		(29,838,058)	(29,838,058)
Net position of governmental activities		\$	(9,721,374)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 11,822,086	\$ 2,707,192	\$ 946,704	\$ 15,475,982
Payment in lieu of taxes	80,059	-	-	80,059
Tuition	2,601,583	-	-	2,601,583
Transportation fees	600	-	-	600
Earnings on investments	353,170	-	21,672	374,842
Charges for services	28,773	-	551,664	580,437
Extracurricular	128,293	-	356,588	484,881
Classroom materials and fees	244,036	-	-	244,036
Rental income	214,422	-	-	214,422
Contributions and donations	719	-	26,100	26,819
Other local revenues	114,126	-	130,298	244,424
Intergovernmental - state	18,421,880	553,656	517,580	19,493,116
Intergovernmental - federal	82,640	-	2,239,698	2,322,338
Total revenues	<u>34,092,387</u>	<u>3,260,848</u>	<u>4,790,304</u>	<u>42,143,539</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,089,874	-	194,338	18,284,212
Special	5,273,591	-	968,559	6,242,150
Other	91,162	-	-	91,162
Support services:				
Pupil	3,345,289	-	256,612	3,601,901
Instructional staff	1,327,691	-	357,726	1,685,417
Board of education	178,613	-	12,905	191,518
Administration	2,601,782	-	4,980	2,606,762
Fiscal	846,634	39,903	13,963	900,500
Business	151,839	-	-	151,839
Operations and maintenance	3,093,263	-	435,301	3,528,564
Pupil transportation	1,668,295	-	121,399	1,789,694
Central	821,045	-	-	821,045
Operation of non-instructional services:				
Other non-instructional services	15,310	-	28,391	43,701
Food service operations	-	-	1,662,910	1,662,910
Extracurricular activities	585,625	-	352,651	938,276
Facilities acquisition and construction	-	-	556,579	556,579
Debt service:				
Principal retirement	-	1,405,000	-	1,405,000
Interest and fiscal charges	-	1,123,953	-	1,123,953
Refunding bond issuance costs	-	218,641	-	218,641
Total expenditures	<u>38,090,013</u>	<u>2,787,497</u>	<u>4,966,314</u>	<u>45,843,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,997,626)</u>	<u>473,351</u>	<u>(176,010)</u>	<u>(3,700,285)</u>
Other financing sources (uses):				
Premium on refunding bonds sold	-	2,066,574	-	2,066,574
Sale of refunding bonds	-	16,859,687	-	16,859,687
Transfers in	-	-	500	500
Transfers (out)	(500)	-	-	(500)
Insurance proceeds	36,774	-	-	36,774
Payment to refunded bond escrow agent	-	(18,705,853)	-	(18,705,853)
Total other financing sources (uses)	<u>36,274</u>	<u>220,408</u>	<u>500</u>	<u>257,182</u>
Net change in fund balances	(3,961,352)	693,759	(175,510)	(3,443,103)
Fund balances at beginning of year (restated)	10,914,910	1,943,059	2,506,073	15,364,042
Increase in reserve for inventory	-	-	11,737	11,737
Fund balances at end of year	<u>\$ 6,953,558</u>	<u>\$ 2,636,818</u>	<u>\$ 2,342,300</u>	<u>\$ 11,932,676</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$	(3,443,103)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 1,009,601	
Current year depreciation	(2,867,816)	
Total		(1,858,215)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		11,737
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(17,049)	
Earnings on investments	(21,159)	
Intergovernmental	(148,179)	
Total		(186,387)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,405,000
Refunding bond issuances are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(16,859,687)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position.		
		18,705,853
Premiums on bonds related to the issuance of bonds are amortized over the life of the issuance in the statement of activities.		
		(2,066,574)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		3,292,922
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(6,730,043)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		78,550
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as pension expense in the statement of activities.		
		558,720
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable	74,279	
Accreted interest on capital appreciation bonds	(18,684)	
Amortization of bond premiums	148,573	
Amortization of deferred charges	(76,591)	
Total		127,577
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(395,616)
Change in net position of governmental activities	\$	(7,359,266)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Property taxes	\$ 11,691,051	\$ 11,735,444	\$ 11,735,444	\$ -
Payment in lieu of taxes.	79,756	80,059	80,059	-
Tuition.	2,544,651	2,551,982	2,551,982	-
Transportation fees.	-	600	600	-
Earnings on investments	318,897	291,510	291,510	-
Classroom materials and fees	73,317	80,461	80,461	-
Rental income	213,614	214,422	214,422	-
Other local revenues	18,245	38,192	38,192	-
Intergovernmental - state	18,368,729	18,422,411	18,422,411	-
Intergovernmental - federal	204,425	224,726	224,726	-
Total revenues	33,512,685	33,639,807	33,639,807	-
Expenditures:				
Current:				
Instruction:				
Regular	18,212,312	17,771,292	17,890,724	(119,432)
Special.	5,225,975	5,335,866	5,371,725	(35,859)
Other.	57,317	62,235	62,653	(418)
Support services:				
Pupil.	3,322,029	3,287,713	3,309,808	(22,095)
Instructional staff	1,351,765	1,306,825	1,315,607	(8,782)
Board of education	196,434	189,185	190,456	(1,271)
Administration.	2,672,812	2,533,069	2,550,092	(17,023)
Fiscal	883,554	824,873	830,416	(5,543)
Business	150,442	149,514	150,519	(1,005)
Operations and maintenance.	3,256,998	3,106,203	3,127,078	(20,875)
Pupil transportation	1,799,701	1,681,476	1,692,776	(11,300)
Central.	829,907	818,109	823,607	(5,498)
Other operation of non-instructional services	16,848	14,500	14,597	(97)
Extracurricular activities.	607,516	577,711	581,593	(3,882)
Total expenditures	38,583,610	37,658,571	37,911,651	(253,080)
Excess of expenditures over revenues.	(5,070,925)	(4,018,764)	(4,271,844)	(253,080)
Other financing sources (uses):				
Refund of prior year's expenditures	252,004	257,124	257,124	-
Transfers (out).	-	(500)	(500)	-
Advances in.	540,958	540,958	540,958	-
Advances (out)	-	(795,773)	(795,773)	-
Sale of capital assets	36,774	36,774	36,774	-
Total other financing sources (uses)	829,736	38,583	38,583	-
Net change in fund balance	(4,241,189)	(3,980,181)	(4,233,261)	(253,080)
Unencumbered fund balance at beginning of year.	13,656,556	13,656,556	13,656,556	-
Prior year encumbrances appropriated	291,612	291,612	291,612	-
Unencumbered fund balance at end of year.	\$ 9,706,979	\$ 9,967,987	\$ 9,714,907	\$ (253,080)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Custodial
Additions:	
Extracurricular collections for OHSAA	\$ 1,432
Deductions:	
Extracurricular distributions to OHSAA	1,432
Change in net position	-
Net position at beginning of year (restated)	-
Net position at end of year	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Edgewood City School District (the "District") was formed on February 14, 1968 with the consolidation of Trenton City School District and Shiloh Local School District. Today, the District operates under current standards prescribed by the Ohio State Board of Education, as provided in division (D) of Section 3301.07, and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. This Board controls the District's instructional and support facilities, staffed by 247 certified full-time teaching and administrative personnel and 172 classified personnel, who provide services to approximately 3,656 students and other community members.

The District ranks as the 479th largest by enrollment among the 610 public school districts in the State. It currently operates 3 elementary schools, 1 middle school and 1 comprehensive high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association

The Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three-county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of the member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge, dependent upon the software package utilized.

The Governing Board of SWOCA is comprised of the superintendent of each of the member districts, plus one representative from the fiscal agent. The degree of control exercised by any participating school district is limited to its representation on the Board.

Financial information can be obtained from Donna Davis Norris, who serves as Executive Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Butler Technology & Career Development Schools

The Technology & Career Development Schools is a vocational school district, and is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Technology & Career Development School 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.

B. Basis of Presentation and Measurement Focus

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

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

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

The fiduciary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of fiduciary funds are included on the statement of net fiduciary position. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

C. Basis of Accounting

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

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

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

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the District, see Note 11 and Note 12 for deferred outflows of resources related to the District's net pension liability net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 11 and Note 12 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

D. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

GOVERNMENTAL FUNDS

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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.

Debt service fund - The debt service fund is used to account for the accumulation of resources restricted for the payment of general obligation bond principal, interest and related costs.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or 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 used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's custodial fund accounts for funds collected and distributed on behalf of OHSAA.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

The specific timetable for fiscal year 2020 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 Butler County Budget Commission for tax rate determination.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2020.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, 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.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than custodial funds, are legally required to be budgeted and appropriated. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
8. 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 2020.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances 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 investments."

During fiscal year 2020, the District had investments in negotiable certificates of deposit, U.S. government money market mutual funds, federal agency securities and in the State Treasury Asset Reserve of Ohio (STAR Ohio).

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$353,170, which includes \$81,376 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool are considered to be cash equivalents. Investments not part of the cash management pool with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis. On the government wide financial statements, inventories are expensed when used. On the fund financial statements, an expenditure is recorded when the inventory is purchased. Inventories are accounted for using the consumption method on the statement of activities and the purchase method on the governmental fund statements. On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 30 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the financial statement date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any age with 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and lease-purchase agreements are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Unamortized Bond Premium and Discount/Issuance Costs/Unamortized Accounting Gain or Loss

Bond premiums are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On fund financial statements and the government wide financial statements, issuance costs are expended/expensed in the fiscal year they occur.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.A.

M. Fund Balance

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

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

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.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

O. Prepayments

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

P. Estimates

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

Q. Interfund Activity

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

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. Fair Market Value

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

T. 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. The District had neither type of transaction occur in fiscal year 2020.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 84, "*Fiduciary Activities*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its private purpose trust and agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements (see Note 3.B for detail).

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Fund balance as previously reported	\$ 10,911,670	\$ 1,943,059	\$ 2,421,506	\$ 15,276,235
GASB Statement No. 84	<u>3,240</u>	<u>-</u>	<u>84,567</u>	<u>87,807</u>
Restated fund balance, at June 30, 2019	<u>\$ 10,914,910</u>	<u>\$ 1,943,059</u>	<u>\$ 2,506,073</u>	<u>\$ 15,364,042</u>

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	\$ (2,449,915)
GASB Statement No. 84	<u>87,807</u>
Restated net position at June 30, 2019	<u>\$ (2,362,108)</u>

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of zero. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting private purpose trust funds or agency funds. At June 30, 2019, private purpose trust and agency funds reported net position and assets of \$16,796 and \$72,906, respectively.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 278,939
IDEA Part B	9,542
Title I	5,879
IDEA preschool grant for the handicapped	82
Improving teacher quality	3,668

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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, and Government National Mortgage 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;

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 subdivisions 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 division (1) or (2) 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.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

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 fiscal year end, the District had \$1,300 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$2,123,540 and the bank balance of all District deposits was \$2,506,720. Of the bank balance, \$2,256,720 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and \$250,000 was covered by the FDIC.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 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. For fiscal year 2020, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

The District does not have a deposit policy specifically addressing its depository accounts with financial institutions.

C. Investments

Investments are made in order to seek preservation of capital in the portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The portfolio is managed in such a way as to equal or exceed the market average rate of return. The portfolio remains sufficiently liquid to enable the District to meet reasonably anticipated operational requirements.

The District may invest in those instruments defined in Chapter 135 ORC and other relevant sections of the Ohio Revised Code at a price not exceeding their fair market value. Cash flow requirements are considered in determining the term of an investment. Provided these requirements have been satisfied, maturity length is determined by market conditions and interest rate forecasts. Investments of the District are diversified to eliminate the risk of loss resulting from over concentration of assets in a specific investment instrument. All investments and deposits are collateralized pursuant to the Ohio Revised Code.

In addition to these policies, all relevant sections of the Ohio Revised Code are adhered to at all times.

As of June 30, 2020, the District had the following investments and maturity:

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	Investment Maturities			
		6 months or <u>less</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Amortized Cost:</i>					
STAR Ohio	\$ 10,272,266	\$ 10,272,266	\$ -	\$ -	\$ -
<i>Fair Value:</i>					
U.S. Government					
Money Market	168,263	168,263	-	-	-
FFCB	1,002,730	-	-	-	1,002,730
Negotiable CDs	<u>2,056,508</u>	<u>502,841</u>	<u>512,697</u>	<u>255,574</u>	<u>785,396</u>
Total	<u>\$ 13,499,767</u>	<u>\$ 10,943,370</u>	<u>\$ 512,697</u>	<u>\$ 255,574</u>	<u>\$ 1,788,126</u>

The weighted average maturity of investments is 0.48 years.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs).

The District's investments in negotiable certificates of deposit and federal agency securities are valued using quoted market prices that are not considered too be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

Credit Risk: STAR Ohio carries a rating of AAAM money market rating by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in federal agency securities and U.S. Government money markets were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable CD's are fully covered by the FDIC and are not rated.

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 District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
<i>Amortized Cost:</i>		
STAR Ohio	\$ 10,272,266	76.09
<i>Fair Value:</i>		
U.S. Government		
Money Market	168,263	1.25
FFCB	1,002,730	7.43
Negotiable CDs	<u>2,056,508</u>	<u>15.23</u>
Total	<u>\$ 13,499,767</u>	<u>100.00</u>

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2020:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 2,123,540
Investments	13,499,767
Cash on hand	<u>1,300</u>
Total	<u>\$ 15,624,607</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 15,624,607</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2020 consisted of the following, as reported on the fund financial statements:

<u>Transfer to nonmajor governmental fund from:</u>	<u>Amount</u>
General fund	<u>\$ 500</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues 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.

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2020, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	<u>\$ 384,071</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the statement of net position.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, 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 Butler County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$914,238 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2019 was \$827,596 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 344,505,980	72.76	\$ 348,426,020	72.95
Public utility personal	<u>128,980,570</u>	<u>27.24</u>	<u>129,170,320</u>	<u>27.05</u>
Total	<u>\$ 473,486,550</u>	<u>100.00</u>	<u>\$ 477,596,340</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$50.08		\$49.29	

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - RECEIVABLES

Receivables at June 30, 2020 consisted of property taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Governmental activities:

Property taxes	\$ 16,732,228
Accounts	12,421
Accrued interest	14,139
Intergovernmental	<u>517,170</u>
Total	<u>\$ 17,275,958</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance <u>06/30/19</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/20</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,330,689	\$ -	\$ -	\$ 2,330,689
Construction in progress	<u>-</u>	<u>354,413</u>	<u>-</u>	<u>354,413</u>
<i>Total capital assets, not being depreciated</i>	<u>2,330,689</u>	<u>354,413</u>	<u>-</u>	<u>2,685,102</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,159,415	7,900	-	2,167,315
Buildings and improvements	76,314,246	210,222	-	76,524,468
Equipment and furniture	5,868,265	317,046	-	6,185,311
Vehicles	<u>2,822,939</u>	<u>120,020</u>	<u>(70,978)</u>	<u>2,871,981</u>
<i>Total capital assets, being depreciated</i>	<u>87,164,865</u>	<u>655,188</u>	<u>(70,978)</u>	<u>87,749,075</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(861,318)	(86,165)	-	(947,483)
Buildings and improvements	(32,549,826)	(2,376,758)	-	(34,926,584)
Equipment and furniture	(4,886,300)	(224,896)	-	(5,111,196)
Vehicles	<u>(1,554,527)</u>	<u>(179,997)</u>	<u>70,978</u>	<u>(1,663,546)</u>
<i>Total accumulated depreciation</i>	<u>(39,851,971)</u>	<u>(2,867,816)</u>	<u>70,978</u>	<u>(42,648,809)</u>
Total capital assets, net	<u>\$ 49,643,583</u>	<u>\$ (1,858,215)</u>	<u>\$ -</u>	<u>\$ 47,785,368</u>

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,133,306
<u>Support services:</u>	
Pupil	83
Instructional staff	7,847
Board of education	215
Administration	8,101
Fiscal	217
Operations and maintenance	1,451,687
Pupil transportation	184,110
Extracurricular activities	73,791
Food service operations	<u>8,459</u>
Total depreciation expense	<u>\$ 2,867,816</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2020, the following activity occurred in governmental activities long-term obligations.

	Balance 6/30/19	Increases	Decreases	Balance 6/30/20	Amount Due Within One Year
<u>Governmental activities:</u>					
<u>G.O. Bonds - Series 2011</u>					
Current interest bonds	\$ 2,410,000	\$ -	\$ (2,030,000)	\$ 380,000	\$ 90,000
<u>2013 Series Bonds</u>					
Serial bonds	9,770,000	-	(2,885,000)	6,885,000	850,000
Term bonds	12,885,000	-	(12,885,000)	-	-
<u>2015 Series Bonds</u>					
Serial bonds	3,940,000	-	(475,000)	3,465,000	500,000
<u>2019 Series Bonds</u>					
Serial bonds	-	10,350,000	-	10,350,000	220,000
Term bonds	-	6,395,000	-	6,395,000	-
Capital appreciation bonds	-	114,687	-	114,687	-
Accreted interest	-	18,684	-	18,684	-
Net pension liability	40,442,224	676,113	-	41,118,337	-
Net OPEB liability	4,309,646	-	(404,157)	3,905,489	-
Compensated absences	<u>1,927,730</u>	<u>679,910</u>	<u>(356,817)</u>	<u>2,250,823</u>	<u>323,717</u>
Total	<u>\$ 75,684,600</u>	<u>\$ 18,234,394</u>	<u>\$ (19,035,974)</u>	74,883,020	<u>\$ 1,983,717</u>
Unamortized premium on refunding bonds				<u>2,523,686</u>	
Total long-term liabilities on statement of net position				<u>\$ 77,406,706</u>	

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

- B. School Improvement Series 2011 - On November 17, 2011, the District issued \$2,980,000 in general obligations bonds to provide financing for various construction projects. The issue is comprised current interest bonds, par value \$380,000 outstanding at June 30, 2020. The interest rates on the current interest bonds range from 2.00% - 4.375%. The bonds had an original final maturity date of December 1, 2037.

During fiscal year 2020, the bonds maturing on and after December 1, 2024 totaling \$1,940,000 were refunded with a portion of the proceeds from the General Obligation Unlimited Tax School Refunding Bonds, Series 2019 dated December 19, 2019. The new final maturity date of the Series 2011 Bonds is December 1, 2023.

General Obligation Unlimited Tax Refunding Bonds - Series 2013 - On July 11, 2013, the District issued series 2013 General Obligation Unlimited Tax Refunding Bonds to advance refund the Series 2009 School Improvement General Obligation Unlimited Tax Bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the Series 2009 refunded general obligation bonds at June 30, 2020, is \$6,885,000.

During fiscal year 2020, the current interest and term bonds maturing on and after December 1, 2027 totaling \$14,930,000 were refunded with a portion of the proceeds from the General Obligation Unlimited Tax School Refunding Bonds, Series 2019 dated December 19, 2019.

As of June 30, 2020, the Series 2013 refunding issue is comprised of serial bonds in the amount of \$6,885,000. Interest payments on the serial current interest bonds are due on June 1 and December 1 of each year. The interest rates on the serial bonds range from 2.625% to 5.000%. The bonds were originally issued for a twenty-four year period, with final maturity during fiscal year 2038. The new final maturity date is December 1, 2026. The bonds will be retired through the debt service fund.

Issuance proceeds from refunding the Series 2009 Bonds totaled \$23,304,883 and were deposited with an escrow agent.

The reacquisition price exceeded the net carrying amount of the old debt by \$329,883. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

General Obligation Unlimited Tax Refunding Bonds - Series 2015 - On October 7, 2015, the District issued series 2015 General Obligation Unlimited Tax Refunding Bonds to advance refund the Series 2005 General Obligation bonds. The proceeds from the issuance were used to purchase securities, which were placed in an irrevocable trust in order to provide resources for all future debt service payments on the advance refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2005 general obligation bonds at June 30, 2020, is \$3,895,000.

This refunding issue is comprised of current interest bonds, in the amount of \$3,465,000 outstanding at June 30, 2020. The interest rates range from 2.000% to 4.000%. The bonds were issued for a ten year period, with final maturity during fiscal year 2026. The bonds will be retired through the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$155,358. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Issuance proceeds totaling \$6,670,358 were deposited with an escrow agent. These bonds were issued with a premium of \$498,769, which were reported as an other financing source on the fund financial statements. The issuance costs of \$111,345 were reported as an expenditure on the fund financial statements.

Interest payments on the serial and term current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2025.

General Obligation Unlimited Tax Refunding Bonds - Series 2019 - On December 19, 2019, the District issued series 2019 General Obligation Unlimited Tax Refunding Bonds to advance refund \$1,940,000 of the Series 2011 general obligation bonds maturing on and after December 1, 2024 and to advance refund \$14,930,000 of the Series 2013 general obligation refunding bonds maturing on and after December 1, 2027. The proceeds from the issuance were used to purchase securities, which were placed in an irrevocable trust in order to provide resources for all future debt service payments on the advance refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded Series 2011 general obligation bonds and the Series 2013 general obligation refunding bonds at June 30, 2020 were \$1,940,000 and \$14,930,000, respectively.

This refunding issue is comprised of both serial and term current interest bonds and capital appreciation bonds in the amount of \$10,350,000, \$6,395,000, and \$114,687 respectively, outstanding at June 30, 2020. The interest rates on the serial and term bonds range from 2.75% to 5.00% and 2.80% to 3.00%, respectively. The bonds were issued for a nineteen year period, with final maturity during fiscal year 2038. The capital appreciation bonds mature December 1, 2024, 2027, and 2028 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the outstanding capital appreciation bonds is \$110,000, \$1,265,000, and \$1,245,000, respectively. Total accreted interest of \$18,684 has been included on the statement of net position at June 30, 2020. The bonds will be retired through the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,583,197. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Issuance proceeds totaling \$18,705,853 were deposited with an escrow agent. These bonds were issued with a premium of \$2,066,574, which were reported as an other financing source on the fund financial statements. The issuance costs of \$218,641 were reported as an expenditure on the fund financial statements. The refunding had a net present value savings of \$1,382,631.

Net Pension Liability: See Note 11 for details. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability/Asset: See Note 12 for details. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated Absences: Compensated absences will be paid out of the funds from which the employee's salaries are paid, which is primarily the general fund for the District.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2020 are as follows:

Fiscal Year Ending June 30,	General Obligation Refunding Bonds - Series 2015			General Obligation Bonds - Series 2011		
	Current Interest Bonds			Current Interest Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 500,000	\$ 111,900	\$ 611,900	\$ 90,000	\$ 11,650	\$ 101,650
2022	585,000	101,050	686,050	95,000	9,106	104,106
2023	610,000	83,000	693,000	95,000	5,900	100,900
2024	650,000	57,800	707,800	100,000	2,000	102,000
2025	720,000	30,400	750,400	-	-	-
2026	400,000	8,000	408,000	-	-	-
Total	<u>\$ 3,465,000</u>	<u>\$ 392,150</u>	<u>\$ 3,857,150</u>	<u>\$ 380,000</u>	<u>\$ 28,656</u>	<u>\$ 408,656</u>

Fiscal Year Ending June 30,	General Obligation Refunding Bonds - Series 2013		
	Current Interest Serial Bonds		
	Principal	Interest	Total
2021	\$ 850,000	\$ 306,650	\$ 1,156,650
2022	890,000	270,800	1,160,800
2023	920,000	225,550	1,145,550
2024	950,000	178,800	1,128,800
2025	1,000,000	130,050	1,130,050
2026-2027	2,275,000	87,325	2,362,325
Total	<u>\$ 6,885,000</u>	<u>\$ 1,199,175</u>	<u>\$ 8,084,175</u>

Fiscal Year Ending June 30,	General Obligation Refunding Bonds - Series 2019					
	Current Interest Serial Bonds			Current Interest Term Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 220,000	\$ 534,292	\$ 754,292	\$ -	\$ -	\$ -
2022	195,000	523,918	718,918	-	-	-
2023	205,000	513,917	718,917	-	-	-
2024	215,000	503,418	718,418	-	-	-
2025	225,000	492,417	717,417	-	-	-
2026-2030	2,335,000	2,247,194	4,582,194	-	-	-
2031-2035	3,195,000	546,460	3,741,460	4,635,000	919,680	5,554,680
2036-2038	3,760,000	122,712	3,882,712	1,760,000	147,675	1,907,675
Total	<u>\$ 10,350,000</u>	<u>\$ 5,484,328</u>	<u>\$ 15,834,328</u>	<u>\$ 6,395,000</u>	<u>\$ 1,067,355</u>	<u>\$ 7,462,355</u>

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	General Obligation Refunding Bonds - Series 2019					
	Capital Appreciation Bonds			Total - Series 2019		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ -	\$ -	\$ -	\$ 220,000	\$ 534,292	\$ 754,292
2022	-	-	-	195,000	523,918	718,918
2023	-	-	-	205,000	513,917	718,917
2024	-	-	-	215,000	503,418	718,418
2025	44,993	65,007	110,000	269,993	557,424	827,417
2026-2030	69,694	2,440,306	2,510,000	2,404,694	4,687,500	7,092,194
2031-2035	-	-	-	7,830,000	1,466,140	9,296,140
2036-2038	-	-	-	5,520,000	270,387	5,790,387
Total	<u>\$ 114,687</u>	<u>\$ 2,505,313</u>	<u>\$ 2,620,000</u>	<u>\$ 16,859,687</u>	<u>\$ 9,056,996</u>	<u>\$ 25,916,683</u>

D. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2020 are a legal voted debt margin of \$18,030,802 (including available funds of \$2,636,818), and a legal unvoted debt margin of \$477,596.

NOTE 10 - RISK MANAGEMENT

- A. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2020, the District purchased commercial coverage for property and general liability insurance, including boilers and machinery valued at \$101,303,520 with a \$1,000,000 single occurrence limit and a \$5,000 deductible.

Professional liability is protected by Wright Specialty Insurance with a \$2,000,000 annual aggregate/\$1,000,000 single occurrence limit and a \$1,000 per claim deductible. Vehicles are also covered by Wright Specialty Insurance and hold a \$500 deductible for comprehensive and a \$500 deductible for collision. The District also carries an umbrella policy with Wright Specialty Insurance with a \$2,000,000 annual aggregate and a \$2,000,000 single occurrence limit.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2020.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 11. As such, no funding provisions are required by the District.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

As a penalty-rated organization, the District is not eligible for group rating due to the fact that the total claims cost, including compensation, medical costs and reserves, exceeded the established amount of the District's expected losses set by the Ohio Bureau of Workers' Compensation (BWC). However, the District does see the need to become proactive in the management of claims in order to decrease the financial impact of claims on the District's premiums. To that end, the District strives to implement workplace safety solutions and cost-saving strategies in order to be able to participate once again in the Group Rating Program. The District participates in the Cincinnati Regional Chamber Group Retrospective program whereby participating employers pay their annual premiums as scheduled. The BWC will then conduct three (3) annual evaluations following the completion of the retro year to determine refund opportunities.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% 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.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$792,295 for fiscal year 2020. Of this amount, \$103,925 is reported as pension and postemployment benefits payable.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. 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 or later.

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,500,627 for fiscal year 2020. Of this amount, \$434,652 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.15393170%	0.14383583%	
Proportion of the net pension liability current measurement date	<u>0.15249110%</u>	<u>0.14467735%</u>	
Change in proportionate share	<u>-0.00144060%</u>	<u>0.00084152%</u>	
Proportionate share of the net pension liability	\$ 9,123,810	\$ 31,994,527	\$ 41,118,337
Pension expense	\$ 1,444,616	\$ 5,285,427	\$ 6,730,043

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 231,361	\$ 260,487	\$ 491,848
Changes of assumptions	-	3,758,376	3,758,376
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	18,641	1,245,400	1,264,041
Contributions subsequent to the measurement date	<u>792,295</u>	<u>2,500,627</u>	<u>3,292,922</u>
Total deferred outflows of resources	<u>\$ 1,042,297</u>	<u>\$ 7,764,890</u>	<u>\$ 8,807,187</u>

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 138,498	\$ 138,498
Net difference between projected and actual earnings on pension plan investments	117,114	1,563,720	1,680,834
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>91,988</u>	<u>-</u>	<u>91,988</u>
Total deferred inflows of resources	<u>\$ 209,102</u>	<u>\$ 1,702,218</u>	<u>\$ 1,911,320</u>

\$3,292,922 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ 201,970	\$ 2,639,718	\$ 2,841,688
2022	(219,693)	757,427	537,734
2023	(7,795)	(39,966)	(47,761)
2024	<u>66,418</u>	<u>204,866</u>	<u>271,284</u>
Total	<u>\$ 40,900</u>	<u>\$ 3,562,045</u>	<u>\$ 3,602,945</u>

Actuarial Assumptions - SERS

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

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

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

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

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 12,785,720	\$ 9,123,810	\$ 6,052,840

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table 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. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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:

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 46,756,436	\$ 31,994,527	\$ 19,497,814

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - 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, 2020, 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 2020, this amount was \$19,600. 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 2020, the District's surcharge obligation was \$78,550.

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 \$78,550 for fiscal year 2020. Of this amount, \$78,550 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board 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, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2019, 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.15534340%	0.14383583%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.15530080%</u>	<u>0.14467735%</u>	
Change in proportionate share	<u>-0.00004260%</u>	<u>0.00084152%</u>	
Proportionate share of the net OPEB liability	\$ 3,905,489	\$ -	\$ 3,905,489
Proportionate share of the net OPEB asset	\$ -	\$ (2,396,204)	\$ (2,396,204)
OPEB expense	\$ 124,108	\$ (682,828)	\$ (558,720)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 57,329	\$ 217,233	\$ 274,562
Net difference between projected and actual earnings on OPEB plan investments	9,375	-	9,375
Changes of assumptions	285,252	50,367	335,619
Difference between employer contributions and proportionate share of contributions/change in proportionate share	19,263	244,203	263,466
Contributions subsequent to the measurement date	<u>78,550</u>	<u>-</u>	<u>78,550</u>
Total deferred outflows of resources	<u>\$ 449,769</u>	<u>\$ 511,803</u>	<u>\$ 961,572</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 858,009	\$ 121,911	\$ 979,920
Net difference between projected and actual earnings on OPEB plan investments	-	150,498	150,498
Changes of assumptions	218,852	2,627,160	2,846,012
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>122,048</u>	<u>-</u>	<u>122,048</u>
Total deferred inflows of resources	<u>\$ 1,198,909</u>	<u>\$ 2,899,569</u>	<u>\$ 4,098,478</u>

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$78,550 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ (232,223)	\$ (521,201)	\$ (753,424)
2022	(142,575)	(521,200)	(663,775)
2023	(139,827)	(460,883)	(600,710)
2024	(140,274)	(439,731)	(580,005)
2025	(121,700)	(452,445)	(574,145)
Thereafter	(51,091)	7,694	(43,397)
Total	\$ (827,690)	\$ (2,387,766)	\$ (3,215,456)

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.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - 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, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, 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.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 4,740,522	\$ 3,905,489

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 3,129,087	\$ 3,905,489

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% 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 Table 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, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

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, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) 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.

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 2,044,683	\$ 2,396,204

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 2,717,185	\$ 2,396,204

**EDGEWOOD CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (4,233,261)
Net adjustment for revenue accruals	52,640
Net adjustment for expenditure accruals	(48,607)
Net adjustment for other sources/uses	(2,309)
Funds budgeted elsewhere	17,105
Adjustment for encumbrances	253,080
GAAP basis	\$ (3,961,352)

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

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 14 - 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 a party to legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The District's management is of the opinion that the ultimate disposition of the various claims and legal proceedings will not have a material, adverse effect on the District's financial position.

C. Foundation Funding

The District's foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

NOTE 15 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plan in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 16 - SET-ASIDES

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

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.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 16 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	681,864
Current year offsets	<u>(681,864)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u><u>\$ -</u></u>

The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$50,229,546 at June 30, 2020.

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are for subsequent-year expenditures and 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>Year-End Encumbrances</u>
<u>Fund Type</u>	
General fund	\$ 237,193
Other governmental	<u>57,170</u>
Total	<u><u>\$ 294,363</u></u>

NOTE 18 - LEASE AGREEMENT

On January 12, 2015 the District (Lessor) entered into an agreement to lease a District building located at 3590 Busenbark Road, Trenton Ohio 45067 to Atrium Medical Center (the “Lessee”). The lease is for a period of fifteen years with the option to renew the lease at the end of the term for an additional five years. Under the terms of the agreement the Lessee is to pay the District \$17,682 per month for the duration of the lease.

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2020, the District had contractual commitment for the following project:

Health Center Project Outstanding Contracts:

<u>Contractor</u>	<u>Contractual Commitment</u>	<u>Amount Paid as of 6/30/2020</u>	<u>Amount Remaining on Contract</u>
JK Custom Builders	\$ 103,991	\$ 100,991	\$ 3,000
Shaw Contract Flooring	19,900	-	19,900
M&S Glass	20,925	11,320	9,605
Silco Fire Proection	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total	<u><u>\$ 151,816</u></u>	<u><u>\$ 112,311</u></u>	<u><u>\$ 39,505</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.15249110%	0.15393170%	0.15701660%	0.15362430%
District's proportionate share of the net pension liability	\$ 9,123,810	\$ 8,815,954	\$ 9,381,395	\$ 11,243,881
District's covered payroll	\$ 5,165,911	\$ 4,846,948	\$ 4,420,421	\$ 5,046,350
District's proportionate share of the net pension liability as a percentage of its covered payroll	176.62%	181.89%	212.23%	222.81%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.14494090%	0.14209100%	0.14209100%
\$ 8,270,468	\$ 7,191,145	\$ 8,449,696
\$ 4,363,475	\$ 4,128,882	\$ 3,802,132
189.54%	174.17%	222.24%
69.16%	71.70%	65.52%

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.14467735%	0.14383583%	0.13924975%	0.13587393%
District's proportionate share of the net pension liability	\$ 31,994,527	\$ 31,626,270	\$ 33,079,077	\$ 45,481,100
District's covered payroll	\$ 16,988,250	\$ 16,684,193	\$ 15,389,921	\$ 14,405,436
District's proportionate share of the net pension liability as a percentage of its covered payroll	188.33%	189.56%	214.94%	315.72%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.13086982%	0.13003328%	0.13003328%
\$ 36,168,590	\$ 31,628,594	\$ 37,675,774
\$ 13,877,457	\$ 13,285,808	\$ 12,970,077
260.63%	238.06%	290.48%
72.10%	74.70%	69.30%

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 792,295	\$ 697,398	\$ 654,338	\$ 618,859
Contributions in relation to the contractually required contribution	<u>(792,295)</u>	<u>(697,398)</u>	<u>(654,338)</u>	<u>(618,859)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,659,250	\$ 5,165,911	\$ 4,846,948	\$ 4,420,421
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 706,489	\$ 575,106	\$ 572,263	\$ 526,215	\$ 541,543	\$ 554,232
<u>(706,489)</u>	<u>(575,106)</u>	<u>(572,263)</u>	<u>(526,215)</u>	<u>(541,543)</u>	<u>(554,232)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,046,350	\$ 4,363,475	\$ 4,128,882	\$ 3,802,132	\$ 4,026,342	\$ 4,409,165
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,500,627	\$ 2,378,355	\$ 2,335,787	\$ 2,154,589
Contributions in relation to the contractually required contribution	<u>(2,500,627)</u>	<u>(2,378,355)</u>	<u>(2,335,787)</u>	<u>(2,154,589)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,861,621	\$ 16,988,250	\$ 16,684,193	\$ 15,389,921
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 2,016,761	\$ 1,942,844	\$ 1,727,155	\$ 1,686,110	\$ 1,871,552	\$ 2,042,071
<u>(2,016,761)</u>	<u>(1,942,844)</u>	<u>(1,727,155)</u>	<u>(1,686,110)</u>	<u>(1,871,552)</u>	<u>(2,042,071)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,405,436	\$ 13,877,457	\$ 13,285,808	\$ 12,970,077	\$ 14,396,554	\$ 15,708,238
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.15530080%	0.15534340%	0.15911720%	0.15515164%
District's proportionate share of the net OPEB liability	\$ 3,905,489	\$ 4,309,646	\$ 4,270,288	\$ 4,422,396
District's covered payroll	\$ 5,165,911	\$ 4,846,948	\$ 4,420,421	\$ 5,046,350
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.60%	88.91%	96.60%	87.64%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.14467735%	0.14383583%	0.13924975%	0.13587393%
District's proportionate share of the net OPEB liability/(asset)	\$ (2,396,204)	\$ (2,311,295)	\$ 5,433,011	\$ 7,266,573
District's covered payroll	\$ 16,988,250	\$ 16,684,193	\$ 15,389,921	\$ 14,405,436
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	(14.11%)	(13.85%)	35.30%	50.44%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.40%	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 78,550	\$ 116,063	\$ 104,515	\$ 85,713
Contributions in relation to the contractually required contribution	<u>(78,550)</u>	<u>(116,063)</u>	<u>(104,515)</u>	<u>(85,713)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,659,250	\$ 5,165,911	\$ 4,846,948	\$ 4,420,421
Contributions as a percentage of covered payroll	1.39%	2.25%	2.16%	1.94%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 76,235	\$ 106,966	\$ 72,215	\$ 64,839	\$ 87,707	\$ 134,983
<u>(76,235)</u>	<u>(106,966)</u>	<u>(72,215)</u>	<u>(64,839)</u>	<u>(87,707)</u>	<u>(134,983)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,046,350	\$ 4,363,475	\$ 4,128,882	\$ 3,802,132	\$ 4,026,342	\$ 4,409,165
1.51%	2.45%	1.75%	1.71%	2.18%	3.06%

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,861,621	\$ 16,988,250	\$ 16,684,193	\$ 15,389,921
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 135,879	\$ 129,701	\$ 143,966	\$ 157,082
-	-	(135,879)	(129,701)	(143,966)	(157,082)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 14,405,436	\$ 13,877,457	\$ 13,285,808	\$ 12,970,077	\$ 14,396,554	\$ 15,708,238
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

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**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program - Food Commodities	10.555	N/A	132,790
School Breakfast Program	10.553	05-PU	121,548
National School Lunch Program	10.555	LLP4	457,101
COVID-19 School Breakfast Program	10.553	05-PU	39,625
COVID-19 National School Lunch Program	10.555	FFP4	84,929
Total Child Nutrition Cluster			<u>835,993</u>
Child and Adult Care Food Program	10.558	CCMO	2,007
COVID-19 Child and Adult Care Food Program	10.558	CCMO	191
Total Child and Adult Care Food Program			<u>2,198</u>
Total U.S. Department of Agriculture			<u>838,191</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I, Part A:			
Title I Grants to Local Educational Agencies	84.010	C1S1	395,288
Total Title I, Part A			<u>395,288</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	6BSF	819,890
Special Education - Preschool Grants	84.173	PGS1	28,792
Total Special Education Cluster			<u>848,682</u>
Supporting Effective Instruction State Grants	84.367	TRS1	74,328
Student Support and Academic Enrichment Program	84.424	3HI0	38,289
Total U.S. Department of Education			<u>1,356,587</u>
Total Expenditures of Federal Awards			<u>\$2,194,778</u>

The accompanying notes are an integral part of this schedule.

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Edgewood City School District (the District) under programs of the federal government for the year ended June 30, 2020. 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 - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE KEITH FABER



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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*

Edgewood City School District
Butler County
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Edgewood City School District, Butler County, (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 19, 2021 wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District. We also noted that the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) No. 84, *Fiduciary Activities*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
February 19, 2021

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

Edgewood City School District
Butler County
3500 Busenbark Road
Trenton, Ohio 45067

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Edgewood City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Edgewood City School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Edgewood City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio
February 19, 2021

**EDGEWOOD CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.027 & 84.173 Special Education
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE KEITH FABER



EDGEWOOD CITY SCHOOL DISTRICT

BUTLER 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 3/16/2021

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This report is a matter of public record and is available online at
www.ohioauditor.gov