



OHIO AUDITOR OF STATE
KEITH FABER



**ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2023**

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**ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Ashtabula Area City School District
Ashtabula County
6610 Sanborn Road
Ashtabula, Ohio 44004

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District, Ashtabula County, Ohio (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District, Ashtabula County, Ohio as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2024

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Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023

The discussion and analysis of the Ashtabula Area 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, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2023 are as follows:

- For the fiscal year ended June 30, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. These changes were incorporated in the District's fiscal year 2023 financial statements. As a result of the implementation of this standard, the District recorded a subscription payable of \$8,420 and a right to use asset of \$86,846 as of June 30, 2022. See Note 3 for additional information.
- Total net position of governmental activities decreased \$2,858,469 from 2022.
- Total general revenues and other sources equaled \$46,818,333 and accounted for the majority of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$7,919,693 of total revenues.
- The District had \$57,596,495 in expenses related to governmental activities; \$7,919,693 of these expenses was offset by program specific charges for services, operating grants and contributions.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,595,123, a decrease of \$2,749,930 in comparison with the prior year.

Using this Annual Financial Report

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 and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

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 2023?" The *Statement of Net Position* and *the Statement of Activities* answers this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes 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 the 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 that result in restricting revenue growth, facility conditions, required educational program and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, all of the District's activities are classified as governmental. All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The presentation of the District's major funds begins on page 20. Fund financial statements 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, Debt Service Fund and the Permanent Improvement Fund.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

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 known as modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position and the Statement of Activities*) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The District's fiduciary activity is reported in separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The District's fiduciary activities account for collections and disbursements for the Ohio High School Athletic Association. This activity is reported in a custodial fund. This activity is excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The *Statement of Net Position* provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2023 compared to June 30, 2022.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

Table 1
Net Position

	Governmental Activities 2023	Restated Governmental Activities 2022
Assets:		
Current assets	\$ 35,611,639	\$ 40,258,981
Net OPEB asset	3,344,143	2,823,324
Capital assets, net	<u>95,816,370</u>	<u>96,176,436</u>
Total assets	<u>134,772,152</u>	<u>139,258,741</u>
Deferred outflows of resources:		
Deferred charge on refunding	28,933	32,550
Pension	9,375,722	8,939,448
OPEB	<u>1,393,340</u>	<u>1,095,990</u>
Total deferred outflows of resources	<u>10,797,995</u>	<u>10,067,988</u>
Liabilities:		
Current liabilities	6,047,628	5,479,645
Long term liabilities:		
Due within one year	2,606,462	2,748,954
Due in more than one year:		
Net pension liability	37,420,284	22,317,432
Net OPEB liability	2,312,712	2,752,308
Other liabilities	<u>18,447,141</u>	<u>20,726,305</u>
Total liabilities	<u>66,834,227</u>	<u>54,024,644</u>
Deferred inflows of resources:		
Property taxes	12,241,869	11,639,736
Pension	5,031,622	19,554,092
OPEB	5,630,787	5,201,394
Beneficial interest	<u>-</u>	<u>216,752</u>
Total deferred inflows of resources	<u>22,904,278</u>	<u>36,611,974</u>
Net position:		
Net investment in capital assets	77,487,192	75,452,092
Restricted	11,680,810	11,141,928
Unrestricted	<u>(33,336,360)</u>	<u>(27,903,909)</u>
Total net position	<u>\$ 55,831,642</u>	<u>\$ 58,690,111</u>

The District follows Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

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 *total pension liability* or *total OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the District, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$55,831,642 at the close of the most recent fiscal year.

The main source for the decrease in assets and deferred outflows was due to a decrease in equity in pooled cash and cash equivalents as the District spent down COVID-19 relief funds.

The most significant change in liabilities and deferred inflows of resources was caused by changes in the pension system. This caused the net pension liability to increase while the related deferred inflows decreased.

Fluctuations in net pension/OPEB liability/asset for the District are due to changes in the retirement systems unfunded liabilities that are passed through to the District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and net pension/OPEB liability/asset and are described in more detail in their respective notes.

A portion of the District's net position reflects investments in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, vehicles and right to use assets), less any related debt to acquire or construct those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

Table 2
Changes in Net Position

	Governmental Activities 2023	Governmental Activities 2022
Revenues:		
Program revenues:		
Charges for services	\$ 553,525	\$ 621,661
Operating grants and contributions	<u>7,366,168</u>	<u>6,353,285</u>
Total program revenues	<u>7,919,693</u>	<u>6,974,946</u>
General revenues:		
Property taxes	13,490,209	13,442,936
Grants and entitlements	32,589,063	31,905,630
Investment earnings (loss)	312,220	(123,399)
Miscellaneous revenue	<u>426,841</u>	<u>183,200</u>
Total general revenues	<u>46,818,333</u>	<u>45,408,367</u>
Total revenues	<u>54,738,026</u>	<u>52,383,313</u>
Program expenses:		
Instruction	29,695,324	26,997,605
Support services	22,172,558	17,961,550
Operations of non-instructional services	3,905,348	3,266,117
Extracurricular activities	899,155	814,451
Facilities acquisition and construction	654,075	603,563
Interest and fiscal charges	<u>270,035</u>	<u>495,409</u>
Total program expenses	<u>57,596,495</u>	<u>50,138,695</u>
Change in net position before transfers	(2,858,469)	2,244,618
Transfers – in	<u>-</u>	<u>1,917</u>
Change in net position	(2,858,469)	2,246,535
Net position at beginning of year	58,611,685	56,365,150
GASB 96 adjustments	<u>78,426</u>	<u>-</u>
Net position at beginning of year, restated	<u>58,690,111</u>	<u>56,365,150</u>
Net position at end of year	\$ <u>55,831,642</u>	\$ <u>58,611,685</u>

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

Effects of GASB 68 and GASB 75

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/asset, respectively, not accounted for as deferred inflows/outflows.

Under GASB 68, pension expense represents additional amounts earned based on a proportionate share of the pension fund liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 68, the pension expense for 2023 is \$3,401,630, while in 2022 pension expense was \$(641,472). The District was required to contribute \$3,257,522 and \$3,137,142 during 2023 and 2022, respectively.

Under GASB 75, OPEB expense represents additional amounts earned based on a proportionate share of the OPEB fund liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 75, the OPEB expense for 2023 is \$711,204, while in 2022 OPEB expense was \$(239,980). The District was required to contribute \$117,168 and \$107,901 during 2023 and 2022, respectively.

Governmental Activities

Net position of the District's governmental activities decreased by \$2,858,469. Program revenues of \$7,919,693 and general revenues of \$46,818,333 were unable to provide for total governmental expenses of \$57,596,495.

The primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. These revenue sources represent approximately 98% of total governmental revenue.

Instruction and support services make up over 90% of governmental program expenses. The largest program expense relates to regular instruction, which increased \$2,308,863 in the current year primarily due to an increase in pension expense related to GASB 68. There was also an increase of \$2,002,953 in operation and maintenance of plant expenses as the District implemented a new lock down system and had a roof maintenance project.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2023 and 2022. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Ashtabula Area City School District

Management’s Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

Table 3
Governmental Activities

	<u>Total Cost of</u> <u>Services 2023</u>	<u>Net Cost of</u> <u>Services 2023</u>	<u>Restated</u> <u>Total Cost of</u> <u>Services 2022</u>	<u>Restated</u> <u>Net Cost of</u> <u>Services 2022</u>
Program expenses:				
Instruction	\$ 29,695,324	\$ 24,853,773	\$ 26,919,179	\$ 22,860,726
Support services	22,172,558	22,137,012	17,961,550	17,944,681
Operations of non-instructional services	3,905,348	955,310	3,266,117	445,336
Extracurricular activities	899,155	806,597	814,451	735,608
Facilities acquisition and construction	654,075	654,075	603,563	603,563
Interest and fiscal charges	<u>270,035</u>	<u>270,035</u>	<u>495,409</u>	<u>495,409</u>
Total expenses	\$ <u>57,596,495</u>	\$ <u>49,676,802</u>	\$ <u>50,060,269</u>	\$ <u>43,085,323</u>

As noted above, the District’s primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. The dependence upon these types of revenues is apparent, over 98% of 2023 governmental activities are supported by these revenues. Therefore, the District’s taxpayers, as a whole, provide substantial financial support through real estate property taxes for the District and its students.

The District’s Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$55,007,833, expenditures of \$58,068,374 and net other financing sources of \$310,611. The net change in fund balance for the year was most significant in the General Fund. The General Fund decreased by \$2,880,526 as expenditures outpaced revenues as support services expenses increased.

General Fund Budget Information

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 2023, the District amended its General Fund budget periodically as defined by individual team needs.

For the General Fund, final budget basis revenue, including other financing sources was \$2,300,830 more than the original budget estimates of \$39,608,720, due to an increase in intergovernmental revenues. Actual revenues, including other financing sources were the same as final revenues. Final appropriations, including other financing uses was \$5,321,880 more than the original budget estimates of \$39,368,259 due to increases in all expenditures, with the majority relating to instruction and support service expenditures. Actual expenditures, including other financing were \$506,191 less than final appropriations due to decreases in instruction and support service expenditures.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

Capital Assets

At the end of fiscal year 2023 the District had \$95,816,370 invested in land, construction in progress, land improvements, buildings, furniture and equipment, vehicles, and right to use assets. Table 4 shows fiscal year 2023 balances compared to 2022. The majority of the decrease was the result of increased accumulated depreciation expense due to annual depreciation.

Table 4
Governmental Activities
Capital Assets at June 30
(Net of Accumulated Depreciation and Amortization)

	<u>2023</u>	Restated <u>2022</u>
Land	\$ 1,543,136	\$ 1,399,128
Construction in progress	570,285	508,417
Land improvements	1,918,810	2,071,276
Buildings	87,711,765	88,320,596
Furniture and equipment	2,309,287	2,226,019
Vehicles	1,537,392	1,365,466
Right to use assets	<u>225,695</u>	<u>285,534</u>
Totals	\$ <u>95,816,370</u>	\$ <u>96,176,436</u>

Additional information concerning the District's capital assets can be found in Note 10 to the financial statements.

Debt

At June 30, 2023, the District had bonds outstanding. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Bonds at Year-End

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
General obligation bonds:		
Serial bonds	\$ <u>17,510,000</u>	\$ <u>19,565,000</u>
Total	\$ <u>17,510,000</u>	\$ <u>19,565,000</u>

Additional information concerning the District's bonds can be found in Note 11 to the financial statements.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2023

Current Financial Related Activities

The financial future of the District is not without its challenges. These challenges stem from issues that are local and at the state level. At the local level, the taxpayers must approve additional levies to pay for unfunded mandates as well as continue the programs they have come to expect as normal operations.

O.R.C. §5705.391 and O.A.C. 3301-92-04 require the District to submit a five-year forecast of operational revenues and expenditures along with its assumptions to the Ohio Department of Education and Workforce prior to November 30th of each fiscal year and then update the forecast between April 1st and May 31st of each fiscal year. Responsibility for the preparation of the forecast rests with the School Board and the Treasurer/CFO. The forecast is used to ensure the District does not enter into any contract that it cannot demonstrate its ability to pay for over the life of the contract. A district's five-year forecast also enables the School Board to estimate the timing and amounts of necessary operating levies. In response to the forecast, where negative cash was project for fiscal year 2025 the School Board authorized over \$3 million worth of budget cuts. These cut were made during fiscal year 2023 and fiscal year 2024.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Ashtabula Area City School District, 6610 Sanborn Road, Ashtabula, Ohio 44004, or telephone (440) 992-1210.

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Ashtabula Area City School District

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 20,342,225
Accounts receivable	75,325
Accrued interest receivable	36,355
Intergovernmental receivable	808,776
Materials and supplies inventory	137,100
Prepays	225,629
Property taxes receivable	13,986,229
Net OPEB asset	3,344,143
Non-depreciable capital assets	2,113,421
Depreciable capital assets, net	93,477,254
Right to use assets, net	225,695
Total assets	<u>134,772,152</u>
Deferred outflows of resources:	
Deferred charges on refunding	28,933
Pension	9,375,722
OPEB	1,393,340
Total deferred outflows of resources	<u>10,797,995</u>
Liabilities:	
Accounts payable	816,421
Accrued wages and benefits	2,584,910
Accrued interest payable	25,763
Intergovernmental payable	710,282
Unearned revenue	42,195
Matured compensated absences	112,307
Retainage payable	18,750
Claims payable	1,737,000
Long-term liabilities:	
Due within one year	2,606,462
Due in more than one year:	
Net pension liability	37,420,284
Net OPEB liability	2,312,712
Other amounts due in more than one year	18,447,141
Total liabilities	<u>66,834,227</u>
Deferred inflows of resources:	
Property taxes	12,241,869
Pension	5,031,622
OPEB	5,630,787
Total deferred inflows of resources	<u>22,904,278</u>

(continued)

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Net Position (continued)

June 30, 2023

	<u>Governmental Activities</u>
Net position:	
Net investment in capital assets	77,487,192
Restricted for:	
STRS OPEB	715,919
Capital projects	2,383,629
Debt service	7,884,140
Other purposes	697,122
Unrestricted	<u>(33,336,360)</u>
Total net position	<u>\$ 55,831,642</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2023

	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Instruction:				
Regular education	\$ 17,746,011	\$ 275,395	\$ 894,054	\$ (16,576,562)
Special education	11,322,028	-	3,672,102	(7,649,926)
Vocational education	100,576	-	-	(100,576)
Adult/continuing education	36,053	-	-	(36,053)
Other instruction	490,656	-	-	(490,656)
Support services:				
Pupil	3,901,710	-	-	(3,901,710)
Instructional staff	1,316,247	-	-	(1,316,247)
Board of education	363,327	-	-	(363,327)
Administration	2,938,249	-	-	(2,938,249)
Fiscal	1,017,259	-	-	(1,017,259)
Business	1,035,586	-	-	(1,035,586)
Operation and maintenance of plant	7,338,861	-	-	(7,338,861)
Pupil transportation	4,095,096	22,946	-	(4,072,150)
Central	166,223	-	12,600	(153,623)
Operation of non-instructional services:				
Food service	2,997,346	162,626	2,302,737	(531,983)
Community services	693,499	-	484,675	(208,824)
Other operation of non-instruction services	4,511	-	-	(4,511)
Shared services	209,992	-	-	(209,992)
Extracurricular activities	899,155	92,558	-	(806,597)
Facilities acquisitions and construction services	654,075	-	-	(654,075)
Interest and fiscal charges	270,035	-	-	(270,035)
Total governmental activities	<u>\$ 57,596,495</u>	<u>\$ 553,525</u>	<u>\$ 7,366,168</u>	<u>(49,676,802)</u>
General revenues:				
Property and other taxes levied for:				
General purpose				10,359,213
Debt service				1,645,746
Capital outlay				1,311,383
Capital maintenance				173,867
Grant and entitlements not restricted to specific programs				32,589,063
Investments income				312,220
Miscellaneous revenue				426,841
Total general revenues				<u>46,818,333</u>
Change in net position				(2,858,469)
Net position at beginning of year, restated (Note 3)				<u>58,690,111</u>
Net position at end of year				<u>\$ 55,831,642</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Balance Sheet Governmental Funds

June 30, 2023

	General	Debt Service	Permanent Improvement
Assets:			
Equity in pooled cash and cash equivalents	\$ 4,329,381	\$ 7,678,384	\$ 2,236,984
Taxes receivable	10,724,532	1,704,858	1,361,377
Accounts receivable	75,325	-	-
Accrued interest receivable	36,355	-	-
Intergovernmental receivable	314,593	-	-
Interfund receivable	1,482,227	-	-
Prepays	-	-	160,089
Materials and supplies inventory	96,902	-	-
Total assets	<u>\$ 17,059,315</u>	<u>\$ 9,383,242</u>	<u>\$ 3,758,450</u>
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Accounts payable	\$ 441,502	\$ -	\$ 222,417
Accrued wages and benefits	2,141,398	-	-
Intergovernmental payable	629,988	-	-
Unearned revenue	-	-	-
Matured compensated absences	112,307	-	-
Retainage payable	-	-	18,750
Interfund payable	-	-	-
Total liabilities	<u>3,325,195</u>	<u>-</u>	<u>241,167</u>
Deferred inflows of resources:			
Property taxes	9,416,005	1,473,339	1,183,136
Unavailable revenue	643,836	101,640	77,932
Total deferred inflows of resources	<u>10,059,841</u>	<u>1,574,979</u>	<u>1,261,068</u>
Fund balances:			
Nonspendable	96,902	-	160,089
Restricted	11,000	7,808,263	2,096,126
Committed	47,288	-	-
Assigned	1,526,010	-	-
Unassigned (deficit)	1,993,079	-	-
Total fund balances	<u>3,674,279</u>	<u>7,808,263</u>	<u>2,256,215</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,059,315</u>	<u>\$ 9,383,242</u>	<u>\$ 3,758,450</u>

The accompanying notes are an integral part of these financial statements

Non-major Governmental Funds	Total Governmental Funds
\$ 1,431,095	\$ 15,675,844
195,462	13,986,229
-	75,325
-	36,355
494,183	808,776
-	1,482,227
-	160,089
40,198	137,100
<u>\$ 2,160,938</u>	<u>\$ 32,361,945</u>

\$ 75,529	\$ 739,448
443,512	2,584,910
80,294	710,282
42,195	42,195
-	112,307
-	18,750
1,482,227	1,482,227
<u>2,123,757</u>	<u>5,690,119</u>

169,389	12,241,869
11,426	834,834
<u>180,815</u>	<u>13,076,703</u>

40,198	297,189
685,696	10,601,085
-	47,288
-	1,526,010
(869,528)	1,123,551
<u>(143,634)</u>	<u>13,595,123</u>

<u>\$ 2,160,938</u>	<u>\$ 32,361,945</u>
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The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

June 30, 2023

Total governmental funds balances \$ 13,595,123

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 95,816,370

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Delinquent property taxes	\$ 761,678	
Intergovernmental	57,310	
Investment income	15,846	
Total	<u>834,834</u>	834,834

Internal service funds are used by management to charge the cost of health insurance and workers' compensation premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 2,917,948

Long-term liabilities are not due and payable in the current period and are, therefore, not reported in the funds.

General obligation serial bonds	(18,021,981)	
Subscription payable	(81,260)	
Lease payable	(108,413)	
Asset retirement obligation	(16,932)	
Compensated absences payable	(2,825,017)	
Accrued interest payable	(25,763)	
Total	<u>(21,079,366)</u>	(21,079,366)

Deferred charges on refunding related to the issuance of long-term refunding debt that will be amortized over the life of the debt on the Statement of Net Position. 28,933

(continued)

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities (continued)

June 30, 2023

The net pension liability and net OPEB liability/asset are not due in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:

Deferred outflows – pension	9,375,722	
Deferred inflows – pension	(5,031,622)	
Net pension liability	(37,420,284)	
Net OPEB asset	3,344,143	
Deferred outflows – OPEB	1,393,340	
Deferred inflows – OPEB	(5,630,787)	
Net OPEB liability	<u>(2,312,712)</u>	
Total		<u>(36,282,200)</u>
Net position of governmental activities		\$ <u><u>55,831,642</u></u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2023

	General	Debt Service	Permanent Improvement
Revenues:			
Taxes	\$ 10,613,610	\$ 1,686,284	\$ 1,344,669
Intergovernmental	27,764,296	361,281	155,349
Tuition and fees	268,503	-	-
Investment earnings	235,546	69,155	-
Extracurricular activities	-	-	-
Classroom materials and fees	8,799	-	-
Miscellaneous revenue	144,194	-	-
Total revenues	<u>39,034,948</u>	<u>2,116,720</u>	<u>1,500,018</u>
Expenditures:			
Current:			
Instruction:			
Regular education	14,079,330	-	572,156
Special education	7,144,035	-	-
Vocational education	93,269	-	-
Adult/continuing education	-	-	-
Other instruction	110,324	-	-
Support services:			
Pupil	3,379,929	-	-
Instructional staff	614,672	-	132,065
Board of education	365,102	-	-
Administration	2,324,116	-	-
Fiscal	953,619	37,447	29,490
Business	869,457	-	-
Operation and maintenance of plant	5,704,365	-	723,096
Pupil transportation	3,868,990	-	272,532
Central	200,275	-	17,320
Operation of non-instruction services:			
Food service	-	-	-
Community services	28,359	-	-
Shared services	-	-	-
Extracurricular activities	539,307	-	1,223
Capital outlay	872,434	-	307,263
Debt services:			
Principal	96,824	2,055,000	-
Interest and fiscal charges	8,692	320,914	-
Total expenditures	<u>41,253,099</u>	<u>2,413,361</u>	<u>2,055,145</u>
Excess of revenues (under) over expenditures	<u>(2,218,151)</u>	<u>(296,641)</u>	<u>(555,127)</u>

The accompanying notes are an integral part of these financial statements

Non-major Governmental Funds	Total Governmental Funds
\$ 178,554	\$ 13,823,117
11,674,305	39,955,231
6,392	274,895
1,728	306,429
92,558	92,558
177,273	186,072
225,337	369,531
<u>12,356,147</u>	<u>55,007,833</u>
946,424	15,597,910
3,321,327	10,465,362
-	93,269
36,053	36,053
451,001	561,325
386,437	3,766,366
586,746	1,333,483
-	365,102
454,014	2,778,130
4,264	1,024,820
90,350	959,807
1,036,644	7,464,105
2,566	4,144,088
16,250	233,845
2,820,084	2,820,084
663,181	691,540
154,074	154,074
266,222	806,752
1,072,582	2,252,279
35,782	2,187,606
2,768	332,374
<u>12,346,769</u>	<u>58,068,374</u>
<u>9,378</u>	<u>(3,060,541)</u>

(continued)

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2023

	General	Debt Service	Permanent Improvement
Other financing sources (uses):			
Subscription agreements	-	-	-
Transfers – in	200,000	-	734,986
Transfers – out	(862,375)	-	-
Total other financing sources (uses)	<u>(662,375)</u>	<u>-</u>	<u>734,986</u>
Net change in fund balance	(2,880,526)	(296,641)	179,859
Fund balance (deficit) at beginning of year	<u>6,554,805</u>	<u>8,104,904</u>	<u>2,076,356</u>
Fund balance (deficit) at end of year	<u>\$ 3,674,279</u>	<u>\$ 7,808,263</u>	<u>\$ 2,256,215</u>

The accompanying notes are an integral part of these financial statements

Non-major Governmental Funds	Total Governmental Funds
110,611	110,611
127,389	1,062,375
-	(862,375)
<u>238,000</u>	<u>310,611</u>
247,378	(2,749,930)
<u>(391,012)</u>	<u>16,345,053</u>
<u>\$ (143,634)</u>	<u>\$ 13,595,123</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2023

Net change in fund balances – total governmental funds \$ (2,749,930)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and depreciation differed in the current period.

Capital outlay	\$	2,606,673	
Depreciation		(2,965,490)	
Total		(358,817)	(358,817)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. (1,249)

Property tax and grant revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		(332,908)	
Intergovernmental		57,310	
Investment income		5,791	
Total		(269,807)	(269,807)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Lease payable		94,835	
Subscription payable		37,771	
Bonds		2,055,000	
Total		2,187,606	2,187,606

Other financing sources in the Governmental Funds increase long term liabilities in the Statement of Net Position.

Subscription payable (110,611)

(continued)

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (continued)

For the Fiscal Year Ended June 30, 2023

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Amortization of premium	63,997	
Amortization of loss on refunding	(3,617)	
Interest expense	1,959	
Asset retirement obligation	(489)	
Compensated absences	281,153	
Total		343,003

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

Pension	3,257,522	
OPEB	117,168	
Total		3,374,690

Except for amounts reported as deferred outflows/inflows, changes in net pension liability and net OPEB asset/liability are reported as pension and OPEB expense in the Statement of Activities.

Pension	(3,401,630)	
OPEB	711,204	
Total		(2,690,426)

The internal service funds used by management to charge the costs of insurance to individual funds are not reported in the Statement of Activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of internal service funds is allocated among the governmental activities.

		(2,582,928)
Change in net position of governmental activities	\$	<u>(2,858,469)</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

For the Fiscal Year Ended June 30, 2023

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 10,887,976	\$ 10,887,976	\$ 10,887,976	\$ -
Intergovernmental	25,619,822	27,672,234	27,672,234	-
Tuition and fees	256,272	276,802	276,802	-
Earnings on investments	173,895	187,826	187,826	-
Classroom materials and fees	908	982	982	-
Miscellaneous revenue	90,688	97,953	97,953	-
Total revenues	<u>37,029,561</u>	<u>39,123,773</u>	<u>39,123,773</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular education	12,110,894	13,748,073	13,592,351	155,722
Special education	6,477,791	7,353,471	7,270,181	83,290
Vocational education	81,491	92,507	91,459	1,048
Other instruction	112,340	127,526	126,082	1,444
Support services:				
Pupil	3,021,882	3,430,386	3,391,531	38,855
Instructional staff	621,235	705,215	697,227	7,988
Board of education	344,024	390,529	386,106	4,423
Administration	2,071,061	2,351,031	2,324,402	26,629
Fiscal	842,696	956,613	945,778	10,835
Business	895,657	1,016,734	1,005,218	11,516
Operation and maintenance of plant	5,299,027	6,015,360	5,947,226	68,134
Pupil transportation	3,493,302	3,965,533	3,920,617	44,916
Central	174,220	197,771	195,531	2,240
Operation of non-instructional services:				
Community services	40,107	45,529	45,013	516
Extracurricular activities	468,538	531,875	525,851	6,024
Capital outlay	1,046,514	1,187,984	1,174,528	13,456
Total expenditures	<u>37,100,779</u>	<u>42,116,137</u>	<u>41,639,101</u>	<u>477,036</u>
Excess of revenues under expenditures	<u>(71,218)</u>	<u>(2,992,364)</u>	<u>(2,515,328)</u>	<u>477,036</u>
Other financing sources (uses):				
Transfers – in	185,166	200,000	200,000	-
Transfers – out	(946,700)	(1,074,677)	(1,062,504)	12,173
Advances – in	2,393,993	2,585,777	2,585,777	-
Advances – out	(1,320,780)	(1,499,325)	(1,482,343)	16,982
Total other financing sources (uses)	<u>311,679</u>	<u>211,775</u>	<u>240,930</u>	<u>29,155</u>
Net change in fund balance	240,461	(2,780,589)	(2,274,398)	506,191
Fund balance at beginning of year	4,400,147	4,400,147	4,400,147	-
Prior year encumbrances appropriated	<u>929,941</u>	<u>929,941</u>	<u>929,941</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,570,549</u>	<u>\$ 2,549,499</u>	<u>\$ 3,055,690</u>	<u>\$ 506,191</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Fund Net Position Proprietary Funds

June 30, 2023

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,666,381
Prepays	<u>65,540</u>
Total assets	<u>4,731,921</u>
Liabilities:	
Accounts payable	76,973
Claims payable	<u>1,737,000</u>
Total liabilities	<u>1,813,973</u>
Net position:	
Unrestricted	<u><u>\$ 2,917,948</u></u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds

For Fiscal Year Ended June 30, 2023

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 9,194,700
Miscellaneous	25,761
Total operating revenues	<u>9,220,461</u>
Operating expenses:	
Claims	11,454,605
Fiscal	5,758
Purchased services	143,026
Total operating expenses	<u>11,603,389</u>
Operating loss	(2,382,928)
Transfers out	<u>(200,000)</u>
Change in net position	(2,582,928)
Total net position at beginning of year	<u>5,500,876</u>
Total net position at end of year	<u>\$ 2,917,948</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2023

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from other funds	\$ 9,376,855
Cash payments for claims and contractual services	<u>(10,801,501)</u>
Net cash used by operating activities	<u>(1,424,646)</u>
Cash flows from non-capital financing activities:	
Transfers out	<u>(200,000)</u>
Net cash used by non-capital financing activities	<u>(200,000)</u>
Net decrease in cash and cash equivalents	(1,624,646)
Cash and cash equivalents at beginning of year	<u>6,291,027</u>
Cash and cash equivalents at end of year	\$ <u><u>4,666,381</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (2,382,928)
Adjustments:	
Change in assets:	
Decrease in accounts receivable	152,409
Decrease in intergovernmental receivable	3,985
Decrease in prepaid items	8,265
Changes in liabilities:	
Increase in accounts payable	7,623
Increase in claims payable	<u>786,000</u>
Net cash used by operating activities	\$ <u><u>(1,424,646)</u></u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

Note 1: Description of District

The Ashtabula Area City School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District as mandated by state and/or federal agencies. The District is defined by Section 3311.02 of the Ohio Revised Code. The District provide services to approximately 3,971 students. The District employed 161 classified and classified administrators and 226 teachers, tutors and certified administrators.

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 more significant of the District’s accounting policies are described below.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes the agencies and departments that provide the following services: general operations, food service, and student related activities of the District.

Within the District’s boundaries, St. John School K-12, is operated through the Youngstown Catholic Diocese. Current legislation provides funding to this school. These monies are received and disbursed on behalf of the school by the Treasurer of the District, as directed by the school. The accounting for these state monies is reflected as a special revenue fund of the District.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. Based upon the application of these criteria, the District has no component units.

The District is associated with four organizations, which are defined as jointly governed organizations and a related organization.

Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among multiple school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. Each of the districts supports NEOMIN based upon a per pupil charge. The District contributed \$126,170 to NEOMIN during fiscal year 2023.

Superintendents of the participating districts are eligible to be voting members of the Governing Board, which consists of 10 members: the Trumbull and Ashtabula County Educational Service Center's Superintendents (permanent members), three Superintendents from Ashtabula County School Districts, three Superintendents from Trumbull County School Districts, and a Treasurer from each county. The degree of control exercised by any participating district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Ashtabula County Educational Service Center (ACESC)

ACESC is a jointly governed organization among eight school districts in the Ashtabula County School Financing District (ACSF). The jointly governed organization was formed for the purpose of passing a levy in order to provide special education and related services within the territory of the ACSFD. ACESC is operated under the direction of a Committee consisting of representatives from some of the participating districts' treasurers and superintendents. Each district's degree of control is limited to its representation on the Committee. ACESC is its own budgeting and taxing authority. Each of the districts supports ACESC based upon a 3% administrative fee. The District also uses ACESC for other purchased services. Financial information can be obtained from Mary Gillespie, ACESC, 2630 West 13th Street, Suite A, Ashtabula, Ohio 44004.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations (continued)

State Support Team (SST) - Region 5

The SST is an Educational Regional Service System whose mission is to provide regional districts with leadership, technical assistance and high quality professional development in the service areas of school improvement, literacy, early learning and school readiness and special education compliance. The State Support Teams are responsible for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using a differentiated technical assistance structure of support based upon need. The teams work through the Office of Exceptional Children, Office of Literacy, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The SSTs include staff and services formerly provided by the Special Education Regional Resources Centers (SERRCs) and the Regional School Improvement Teams (RSITs). Each district's degree of control is limited to its representation on the Governing Board. The SST is its own budgeting and taxing authority. The District made no contributions for fiscal year 2023.

House Bill 115 (HB 115) establishes the Educational Regional Service System (ERSS) and requires the creation of a coordinated, integrated and aligned system to support state and school districts efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of education services without reducing the availability of the services needed by school districts. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 7320 North Palmyra Road, Canfield, Ohio 44406.

Ashtabula County Technical & Career Center

The Ashtabula County Technical & Career Center (A-Tech) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The A-Tech is operated under the direction of a Board consisting of representatives from some of the participating districts' elected boards. Each district's degree of control is limited to its representation on the Governing Board. The Board is its own budgeting and taxing authority. The District also contracts with A-Tech for the Able/English Language Learners program. In fiscal year 2023 the District made payments of \$246,446 to A-Tech. Financial information can be obtained from Lindsey Elly, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Related Organization

Harbor-Topky Memorial Library

The Harbor-Topky Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Financial information can be obtained by contacting the Fiscal Officer at the Harbor-Topky Memorial Library at 1633 Walnut Blvd., Ashtabula, Ohio, 44004.

B. Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds: Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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, liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for 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 – This fund accounts for the collection of property taxes that are used for the payment of principal and interest and fiscal charges on general obligation debt.

Permanent Improvement Fund - A fund provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

Other governmental funds of the District account for food service, grants, other resources, and capital projects of the District whose use is restricted to a particular purpose.

Proprietary Funds: Proprietary funds focus on the determination of operating income/loss, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The District has no enterprise funds. The following is a description of the District's internal service funds.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Internal Service Funds – Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis. The Employee Health Insurance Fund accounts for a self-insurance program which provides medical, prescription, dental, and life insurance benefits to the District’s employees. The Workers’ Compensation Fund accounts for the payment of premiums and claims to be paid to the state workers’ compensation agency.

Fiduciary Funds: Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. 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 fiduciary fund is a custodial fund. The District’s custodial fund is used to account for state tournaments. This fund had no activity in the current fiscal year.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service funds operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Presentation and Measurement Focus (continued)

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 non-major funds are aggregated into a single column. The internal service funds are presented on a separate proprietary fund statement. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a Statement of Changes in Fiduciary Net Position which reports additions to and deductions from the custodial fund.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year end.

Non-exchange 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 7).

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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 non-exchange 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, grants, intergovernmental, and interest.

Unearned Revenue: Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The District does not have any unearned revenue at June 30, 2023.

Deferred Outflows/Inflows of Resources: In addition to assets, the financial statements that report net position may include a section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding, pension, and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements that report net position may include a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets 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, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow 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 delinquent property taxes, investment income, and miscellaneous revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position, see Notes 13 and 14.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

E. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

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 legal level of budgetary control for the fund.

F. Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. During fiscal year 2023, investments were limited to money market accounts, STAR Ohio, and United States government securities.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Investments (continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts and nonnegotiable certificates of deposits are reported at cost.

STAR Ohio (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 the District has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. At June 30, 2023, the average days to maturity was 38.5 days. STAR Ohio carries a AAAM rating by Standard & Poor's.

For the fiscal year 2023, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Earnings on investments credited to the General Fund during the fiscal year amounted to \$235,546. The amount allocated from other funds during fiscal year 2023 amounted to \$100,106.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated food, purchased food and materials and supplies held for consumption.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported on the fund financial statements.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

I. Capital Assets (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The District maintains a capitalization threshold of \$5,000 for individual items. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings	8 – 60 years
Furniture and equipment	5 – 20 years
Vehicles	8 – 20 years

The District is reporting intangible right to use assets related to leases and subscription-based information technology arrangements (SBITA). These intangible assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental column of the Statement of Net Position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual in the government-wide financial statements for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the Internal Service Funds are reported on the proprietary fund 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, claims and judgments and 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 other long-term obligations are recognized as a liability on the governmental 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.

The District recognizes lease and SBITAs contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$10,000 that meet the definition of another than short-term lease. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

M. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability/asset, deferred outflows of resources and deferred inflows of resources related to pension/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 systems report investments at fair value.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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. Net position is reported as restricted when there are limitations imposed on their 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. Net position restricted for other purposes include resources which will be used for athletics, education programs, food service, scholarships and other grants.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

N. Net Position (continued)

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. As of June 30, 2023, the District did not have net position restricted by enabling legislation.

O. 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually-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, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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 Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be re-deployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. 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 or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or a District official delegated that authority by the District Board of Education. Through the District’s purchasing policy, the Board has given the Treasurer the authority to constrain monies for intended purposes.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Summary of Significant Accounting Policies (continued)

O. Fund Balance (continued)

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit 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 either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are miscellaneous items and charges for services for the health-related insurance program and workers compensation program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the proprietary funds.

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 after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

S. Beneficial interest

The District has a beneficial interest in a trust that has been instructed to provide the District with the use of the trust's income in accordance with the trust's documents. The trust distributed the majority of the fund to the District during fiscal year 2023 and reported a balance of \$0 at June 30, 2023. The trust's investments are managed by an external trustee designated by the donor. As such, the District does not control the allocation of the trust's investments.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 3: Change in Accounting Principle

Newly Adopted Accounting Pronouncements

For the fiscal year ended June 30, 2023, the District implemented the following Governmental Accounting Standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2021. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. This statement clarifies the accounting and financial reporting surrounding public-private and public-public partnerships and availability payment arrangements. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. For fiscal year 2023, the implementation caused the following impact at yearend:

Net Position June 30, 2022, as previously reported	\$ 58,611,685
Adjustment to fiscal year 2022:	
Subscription assets added	86,846
Subscription liabilities added	<u>(8,420)</u>
Restated Net Position June 30, 2022	\$ <u>58,690,111</u>

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. This statement addresses a variety of topics with objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The effective date of this standard to reporting periods beginning after June 15, 2022. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 3: Change in Accounting Principle (continued)

Newly Adopted Accounting Pronouncements (continued)

GASB Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 AND NO. 84, and a Supersession of GASB Statement No. 32*, was issued in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*, was issued in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The effective date of this standard to reporting periods beginning after June 15, 2023. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The effective date of this standard to reporting periods beginning after December 15, 2023. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 4: Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Inventory	\$ 96,902	\$ -	\$ -	\$ 40,198	\$ 137,100
Prepays	<u>-</u>	<u>-</u>	<u>160,089</u>	<u>-</u>	<u>160,089</u>
Total nonspendable	<u>96,902</u>	<u>-</u>	<u>160,089</u>	<u>40,198</u>	<u>297,189</u>
Restricted for:					
Trust/scholarship	-	-	-	71,784	71,784
Community activities	-	-	-	62,483	62,483
Student activities	-	-	-	66,351	66,351
Auxiliary services	-	-	-	30,179	30,179
Debt service payments	-	7,808,263	-	-	7,808,263
Other purposes	11,000	-	-	408,477	419,477
Capital improvements	<u>-</u>	<u>-</u>	<u>2,096,126</u>	<u>46,422</u>	<u>2,142,548</u>
Total restricted	<u>11,000</u>	<u>7,808,263</u>	<u>2,096,126</u>	<u>685,696</u>	<u>10,601,085</u>
Committed to:					
Termination benefits	<u>47,288</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,288</u>
Assigned to:					
Purchases on order	724,824	-	-	-	724,824
Subsequent year's budget	781,193	-	-	-	781,193
Other purposes	<u>19,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,993</u>
Total assigned	<u>1,526,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,526,010</u>
Unassigned (deficit)	<u>1,993,079</u>	<u>-</u>	<u>-</u>	<u>(869,528)</u>	<u>1,123,551</u>
Total fund balances (deficit)	\$ <u>3,674,279</u>	\$ <u>7,808,263</u>	\$ <u>2,256,215</u>	\$ <u>(143,634)</u>	\$ <u>13,595,123</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 5: Accountability

The following funds had negative fund balances at June 30, 2023:

Non-Major Special Revenue Funds:

Food Services	\$ 346,271
IDEA Preschool Grant for the Handicapped	18,758
Elementary and Secondary School Emergency Relief	191,747
Public School Preschool	26,071
IDEA	83,581
School Improvement Title I	7,949
Title I	194,865
Title IV A IDEA Preschool Handicapped	71
Title IIA	215

The deficits in the above funds are due to timing differences in accruing revenues and expenditures. The General Fund is liable for any deficit fund balance or negative cash balance in these funds and will provide operating transfers when cash is required, not when accruals occur.

Note 6: 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 monies identified as not required for use within the current 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 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;

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 6: Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed 30 days;
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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section or repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed 180 days) and commercial paper notes (for a period not to exceed 270 days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short-selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 6: Deposits and Investments (continued)

Deposits

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned to it.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At year-end, the bank balance of the District's deposits was \$13,953,555. At year-end \$1,023,576 of the District's total bank balance was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance. The District also has \$100 in petty cash on hand.

Investments

Investments are reported at fair value. As of June 30, 2023, the District had the following investments:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Federal Farm Credit Bank (FFCB)	\$ 1,732,536	\$ 1,454,715	\$ 277,821
Federal Home Loan Bank (FHLB)	3,097,500	1,179,020	1,918,480
Federal Home Loan Mortgage Corporation (FHLMC)	244,570	244,570	-
Star Ohio	1,401,836	1,401,836	-
Money market	53,908	53,908	-
Total portfolio	<u>\$ 6,530,350</u>	<u>\$ 4,334,049</u>	<u>\$ 2,196,301</u>

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.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 6: Deposits and Investments (continued)

Investments (continued)

The District has the following recurring fair value measurements as of June 30, 2023:

- FFCB, FHLB, and FHLMC are measured based on Level 2 inputs, using matrix pricing.
- Star Ohio and the money market are valued at amortized cost, which approximates fair value.

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase to maximize the returns on the excess cash balances consistent with the safety of the monies and the desired liquidity of the investments.

Credit Risk is addressed by the District's investment policy by the requirements that all investments are authorized by the Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. The money market is unrated. STAR Ohio carries a rating AAAM by Standard & Poor's. All other investments of the District are registered and carry a rating Aaa by Moody's.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as 5% or more in the securities of a single issuer. The District places no limit on the amount it may invest in any one issuer. The following is the District's allocation as of June 30, 2023:

	<u>Percentage of Investments</u>
Federal Farm Credit Bank	26.53%
Federal Home Loan Bank	47.43
Federal Home Loan Mortgage Corporation	3.75
Star Ohio	21.47
Money market	0.82

Note 7: Property Taxes

Property taxes are levied, assessed and collected 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 year.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 7: Property Taxes (continued)

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022. Assessed values for real property are established by the State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2023 became a lien December 31, 2021, were levied after April 1, 2022, and are collected in 2023 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. Tax settlements are made each February and August for real property taxes. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values of real and tangible personal property on which the 2023 taxes were collected were as follows:

	2022		2023	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real property	\$ 422,171,220	89.38%	\$ 422,340,900	88.46%
Public utility personal property	<u>50,150,710</u>	<u>10.62%</u>	<u>55,106,880</u>	<u>11.54%</u>
Total assessed value	\$ <u>472,321,930</u>	<u>100.00%</u>	\$ <u>477,447,780</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 48.55		\$ 48.55	

Accrued property taxes receivables include real property and public utility taxes which are measurable as of June 30, 2023, 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 of resources. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2023, was \$737,847 in the General Fund, \$129,879 in the Bond Retirement Fund, \$100,309 in the Permanent Improvement Fund and \$14,647 in the Classroom Facilities Maintenance Fund.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 7: Property Taxes (continued)

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

Note 8: Receivables

Receivables at June 30, 2023, consisted of taxes, accounts and intergovernmental and interest. 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 intergovernmental receivables reported on the Statement of Net Position follows:

Governmental activities:

IDEA B	\$ 83,401
Motor Fuel Refund	3,853
Expanding Opportunities for Each Child	1,844
Geneva Schools	26,785
Mentor Exempted Village	22,055
Jefferson Schools	10,234
Saint John School	5,618
Title V-B	180
Title I	149,858
Title II-A	7,742
ESSER	126,466
Title IV-A	16,935
Early Childhood Education	20,450
IDEA Early Childhood Education	5,425
ODE Tuition	250
USDA Breakfast and Lunch	78,127
Medicaid	245,238
Ashtabula County Auditor	4,315
Total governmental activities	\$ <u>808,776</u>

Note 9: Budgetary Basis of Accounting

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

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual are presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 9: Budgetary Basis of Accounting (continued)

- (a) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
- (b) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
- (c) Encumbrances are treated as expenditures (budget) rather than a restricted, committed, or assigned fund balance (GAAP).
- (d) To reclassify the net change in fund balance for funds combined with the General Fund for GASB Statement No. 54. Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. These include the Termination Benefits Fund, the Uniform School Supplies Fund, the Public School Support Fund, Lakeside High School Guidance Fund, and the Underground Storage Tanks Fund.
- (e) Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the general fund:

	<u>General</u>
GAAP basis	\$ (2,880,526)
Net adjustment for revenue accruals	108,373
Advances – in	2,585,777
Net adjustment for expenditure accruals	56,424
Advances – out	(1,482,343)
Adjustment for encumbrances	(1,098,055)
Funds budgeted elsewhere	<u>435,952</u>
Budget basis	\$ <u>(2,274,398)</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 10: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Restated Balance <u>6/30/22</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6/30/23</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,399,128	\$ 144,008	\$ -	\$ 1,543,136
Construction in progress	<u>508,417</u>	<u>1,589,955</u>	<u>(1,528,087)</u>	<u>570,285</u>
Total capital assets, not being depreciated	<u>1,907,545</u>	<u>1,733,963</u>	<u>(1,528,087)</u>	<u>2,113,421</u>
Capital assets, being depreciated:				
Land improvements	3,067,641	-	-	3,067,641
Buildings	113,582,118	1,561,553	-	115,143,671
Furniture and equipment	3,891,039	390,564	(13,852)	4,267,751
Vehicles	<u>3,400,682</u>	<u>338,069</u>	<u>-</u>	<u>3,738,751</u>
Total capital assets, being depreciated	<u>123,941,480</u>	<u>2,290,186</u>	<u>(13,852)</u>	<u>126,217,814</u>
Less accumulated depreciation:				
Land improvements	(996,365)	(152,466)	-	(1,148,831)
Buildings	(25,261,522)	(2,170,384)	-	(27,431,906)
Furniture and equipment	(1,665,020)	(306,047)	12,603	(1,958,464)
Vehicles	<u>(2,035,216)</u>	<u>(166,143)</u>	<u>-</u>	<u>(2,201,359)</u>
Total accumulated depreciation	<u>(29,958,123)</u>	<u>(2,795,040)</u>	<u>12,603</u>	<u>(32,740,560)</u>
Capital assets being depreciated, net	<u>93,983,357</u>	<u>(504,854)</u>	<u>(1,249)</u>	<u>93,477,254</u>
Right to use assets:				
Right to use asset – subscriptions	86,846	110,611	-	197,457
Right to use asset – furniture and equipment	<u>286,001</u>	<u>-</u>	<u>-</u>	<u>286,001</u>
Total right to use assets	<u>372,847</u>	<u>110,611</u>	<u>-</u>	<u>483,458</u>
Less accumulated depreciation:				
Right to use asset – subscriptions	-	(75,116)	-	(75,116)
Right to use asset – furniture and equipment	<u>(87,313)</u>	<u>(95,334)</u>	<u>-</u>	<u>(182,647)</u>
Total accumulated depreciation	<u>(87,313)</u>	<u>(170,450)</u>	<u>-</u>	<u>(257,763)</u>
Lease asset, net	<u>285,534</u>	<u>(59,839)</u>	<u>-</u>	<u>225,695</u>
Total capital assets, net	\$ <u>96,176,436</u>	\$ <u>1,169,270</u>	\$ <u>(1,529,336)</u>	\$ <u>95,816,370</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 10: Capital Assets (continued)

Depreciation and amortization expense was charged to governmental functions as follows:

Instruction:	
Regular education	\$ 1,524,075
Special education	419,995
Other education	33,798
Support services:	
Pupil	4,858
Instructional staff	4,257
Administration	74,919
Fiscal	3,605
Business	123,577
Operation and maintenance of plant	133,970
Pupil transportation	131,555
Central	25,091
Operation of non-instructional services:	
Food service	142,329
Community services	9,175
Other	4,511
Extracurricular activities	128,026
Facilities and construction services	<u>201,749</u>
Total	\$ <u>2,965,490</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 11: Long-Term Liabilities

The changes in the District's long-term obligations during the year consist of the following:

	Restated Principal Outstanding 06/30/22	Additions	Reductions	Principal Outstanding 06/30/23	Amounts Due in One Year
Governmental activities:					
2020 Refunded OSFC construction bonds					
1.09% – 2.19% 12/01/2030	\$ 19,565,000	\$ -	\$ (2,055,000)	\$ 17,510,000	\$ 2,075,000
Premium on bonds	575,978	-	(63,997)	511,981	-
Net pension liability:					
SERS	5,196,190	3,513,723	-	8,709,913	-
STRS	17,121,242	11,589,129	-	28,710,371	-
Net OPEB liability:					
SERS	2,752,308	-	(439,596)	2,312,712	-
Lease payable*	203,248	-	(94,835)	108,413	99,949
Subscription payable*	8,420	110,611	(37,771)	81,260	38,617
Asset retirement obligation	16,443	489	-	16,932	-
Compensated absences	<u>3,106,170</u>	<u>199,026</u>	<u>(480,179)</u>	<u>2,825,017</u>	<u>392,896</u>
Total governmental activities long-term liabilities	\$ <u>48,544,999</u>	\$ <u>15,412,978</u>	\$ <u>(3,171,378)</u>	\$ <u>60,786,599</u>	\$ <u>2,606,462</u>

*Direct placement.

The refunded OSFC construction bonds will be paid from the Debt Service Fund. Compensated absences, lease payable and the asset retirement obligation will be paid from the General Fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

Principal and interests requirements to retire the OSFC bonds outstanding at June 30, 2023 are as follows:

	Total Bonds	
	Principal	Interest
2024	\$ 2,075,000	\$ 296,376
2025	2,095,000	269,401
2026	2,125,000	239,217
2027	2,160,000	205,093
2028	2,200,000	166,291
2029-2031	<u>6,855,000</u>	<u>223,765</u>
Total	\$ <u>17,510,000</u>	\$ <u>1,400,143</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 11: Long-Term Liabilities (continued)

In fiscal year 2020, the District issued \$20,665,000 in general obligation bonds and \$429,971 in capital appreciation bonds for the purpose of partially refunding the 2012 refunded general obligation bonds outstanding. The refunding bonds were sold at a premium of \$706,649 and resulted in a loss on refunding of \$39,935. \$21,478,511 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 2012 bonds. On December 1, 2020 the 2012 bonds were called and fully retired. The District decreased its total debt service payments by \$2,045,080 as a result of the refunding. The District also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$1,854,244. The capital appreciation bonds were fully repaid during fiscal year 2022.

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 effects of these debt limitations at June 30, 2023, are a voted debt margin of \$33,187,303 and an unvoted debt margin of \$477,448.

The District has entered into agreements for copier equipment. The lease agreements are for 36 months and requires monthly payments. The agreements meet the definition of a lease under GASB Statement No. 87. A summary of the principal and interest amounts for the remaining lease is as follows:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 99,949	\$ 3,317
2025	<u>8,464</u>	<u>224</u>
Total	<u>\$ 108,413</u>	<u>\$ 3,541</u>

The District has entered into agreements as a lessee for subscription-based information technology arrangements (SBITAs) which are considered right-to-use assets. A description of the District's leasing arrangements is as follows:

In July 2021, the District entered into entered into an five-year subscription-based information technology arrangement. The agreement requires annual installment payments of \$2,250.

In August 2022, the District entered into entered into a three-year subscription-based information technology arrangement. The agreement requires annual installment payments of \$38,550.

In January 2021, the District entered into entered into a three-year subscription-based information technology arrangement. The agreement requires annual installment payments of \$39,213.

	<u>Principal</u>	<u>Interest</u>
2024	\$ 38,617	\$ 2,183
2025	40,402	397
2026	<u>2,241</u>	<u>8</u>
Total	<u>\$ 81,260</u>	<u>\$ 2,588</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 12: Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

Property (buildings and contents), boiler and machinery/equipment breakdown insurance, and commercial auto insurance, are provided through Love Insurance Agency. Blanket limit for the property insurance/equipment breakdown is \$212,699,395. The property deductible is \$5,000 and equipment breakdown deductible is \$1,000. For the commercial auto there is a combined single limit of \$1,000,000 per accident with \$500 comprehensive and \$500 collision deductibles. The renewal date is January 22, 2024.

The District also maintains a variety of liability insurance coverages with varying deductibles. The District carries school leaders errors and omission and employees benefits liability insurance \$1,000,000 limit of liability. The District also has an Umbrella policy with a \$10,000,000 limit. The renewal date is January 22, 2024.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

The State of Ohio provides workers' compensation coverage. The District pays the State Workers' Compensation System a premium based on a percentage of salaries. This percentage is calculated based on accident history and administrative costs.

C. Health Insurance

The District has established an Internal Service Self-Insurance Fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

This Self-Insurance Fund was established January 1994, for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund and certain non-major governmental funds. Claims payments are made on an as-incurred basis, thus no reserve remains with the insurance carrier.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 12: Risk Management (continued)

C. Health Insurance (continued)

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$1,737,000 at June 30, 2023.

A summary of changes in self-insurance claims for the current and prior fiscal year follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2023	\$ 951,000	\$ 11,446,982	\$ (10,660,982)	\$ 1,737,000
2022	420,478	10,375,674	(9,845,152)	951,000

Note 13: Pension Plans

A. Net Pension/OPEB Liability (Asset)

The net pension/OPEB liability (asset) reported on the Statement of Net Position represents a liability (asset) to employees for pensions/OPEB. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions/OPEB is a present obligation because it was created as a result of employment exchanges that occurred in the past.

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

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

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

A. Net Pension/OPEB Liability (Asset) (continued)

GASB Statement No. 68 and 75 assumes the liability (asset) 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). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits including primarily health care. In most cases, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Funded benefits is presented as a long-term net pension/OPEB asset. Any liability for the contractually-required contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

B. Plan Description – School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, Medicare Part B premium reimbursements, and lump sum death benefits. 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*	Members attaining 25 years of service after August 1, 2017
Full benefits	Any age with 30 years of service credit Age 65 with 5 years for service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit 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.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

B. Plan Description – School Employees Retirement System (SERS) (continued)

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. SERS' Retirement Board approved a 2.0% COLA for calendar year 2022 and 2.5% for calendar year 2023.

The defined benefit pension plan includes the Pension Benefits Plan, Death Benefit Fund and Medicare Part B Plan. The Death Benefit Fund pays \$1,000 to a designated beneficiary of a deceased retiree or disability benefit recipient as allowed under ORC Section 3309.50.

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, 2023, the allocation to pension, death benefits, and Medicare B was 14.0% while the funding for Health Care Fund was 0.0%.

The District's contractually-required contribution to SERS was \$892,951 for fiscal year 2023. Of this amount \$114,350 is reported as an intergovernmental payable.

C. Plan Description – State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS, a cost-sharing, multiple-employer public employee retirement system. 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 viewed by visiting www.strsoh.org or by requesting a copy by calling toll-free 888-227-7877.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

C. Plan Description – State Teachers Retirement System (STRS) (continued)

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. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53% of the 14.00% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14.00% 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 CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate goes to the DC Plan and 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 CO Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or CO 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 CO Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or CO Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or CO Plans.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

C. Plan Description – State Teachers Retirement System (STRS) (continued)

Administrative Expenses – The costs of administering the DB and postemployment health care plans are financed by investment income. The administrative costs of the DC Plan are financed by participant fees.

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 the fiscal year ended June 30, 2023, the employer rate was 14% and the plan members were also required to contribute 14% of covered salary.

The District’s contractually required contribution to STRS was \$2,364,571 for fiscal year 2023. Of this amount \$371,452 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	
Proportion of net pension liability prior measurement date	0.140829%	0.133907%	
Proportion of net pension liability current measurement date	<u>0.161033%</u>	<u>0.129151%</u>	
Change in proportionate share	<u>0.020204%</u>	<u>(0.004756%)</u>	
Proportionate share of the net pension liability	\$ 8,709,913	\$ 28,710,371	\$ 37,420,284
Pension expense	\$ 513,005	\$ 2,888,625	\$ 3,401,630

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the District’s proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2023, 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	\$ 352,758	\$ 367,530	\$ 720,288
Change in assumptions	85,942	3,435,769	3,521,711
Difference between projected and actual earnings on pension plan investments	-	999,058	999,058
Changes in proportionate share and difference between District contributions and proportionate share of contributions	718,646	158,497	877,143
District contributions subsequent to the measurement date	<u>892,951</u>	<u>2,364,571</u>	<u>3,257,522</u>
Total deferred outflows of resources	\$ <u>2,050,297</u>	\$ <u>7,325,425</u>	\$ <u>9,375,722</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 57,178	\$ 109,826	\$ 167,004
Change in assumptions	-	2,586,146	2,586,146
Difference between projected and actual earnings on pension plan investments	303,936	-	303,936
Changes in proportionate share and difference between District contributions and proportionate share of contributions	<u>233,060</u>	<u>1,741,476</u>	<u>1,974,536</u>
Total deferred inflows of resources	\$ <u>594,174</u>	\$ <u>4,437,448</u>	\$ <u>5,031,622</u>

The District reported \$3,257,522 as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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:			
2024	\$ 167,752	\$ (350,451)	\$ (182,699)
2025	324,507	(678,237)	(353,730)
2026	(434,179)	(1,359,604)	(1,793,783)
2027	<u>505,092</u>	<u>2,911,698</u>	<u>3,416,790</u>
Total	\$ <u>563,172</u>	\$ <u>523,406</u>	\$ <u>1,086,578</u>

E. 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. Future benefits for all current plan members were projected through 2137.

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.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

E. Actuarial Assumptions – SERS (continued)

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

Valuation date	June 30, 2022
Actuarial cost method	Entry age normal (level percent of payroll)
Actuarial assumptions:	
Investment rate of return	7.00%, net of investment expenses, including inflation
COLA or Ad Hoc COLA	2.00%, on or after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement.
Future salary increases, including inflation	3.25% to 13.58%
Inflation	2.40%

For post-retirement mortality, the table used in evaluating allowances to be paid is the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females.

Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the 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 an arithmetic 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.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

E. Actuarial Assumptions – SERS (continued)

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	2.00%	(0.45%)
US equity	24.75	5.37
Non-US equity developed	13.50	6.22
Non-US equity emerging	6.75	8.22
Fixed income/global bonds	19.00	1.20
Private equity	11.00	10.05
Real estate/real assets	16.00	4.87
Multi-asset strategies	4.00	3.39
Private debt/private credit	3.00	5.38
Total	<u>100.00%</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00% for 2022). 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 as of June 30, 2022. 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 as of June 30, 2022.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$ 12,820,574	\$ 8,709,913	\$ 5,246,734

Assumption Changes Cost-of-Living-Adjustments was increased from 2.00% to 2.50% for calendar year 2023.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actual cost method	Entry age normal
Inflation	2.50%
Salary increases	Varies by service from 2.5% to 8.5%
Payroll increase	3.00%
Investment rate of return	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%
Cost-of-living adjustments (COLA)	0.00%

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

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

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

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return**</u>
Domestic equity	26.00%	6.60%
International equity	22.00	6.80
Alternatives	19.00	7.38
Fixed income	22.00	1.75
Real estate	10.00	5.75
Liquidity reserves	1.00	1.00
Total	<u>100.00%</u>	

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

** 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 13: Pension Plans (continued)

F. Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current active and inactive employees and their beneficiaries are included. Based on those assumptions, STRS’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

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 7.00%, 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 (6.00%) or one-percentage-point higher (8.00%) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
District's proportionate share of the net pension liability	\$ 43,370,917	\$ 28,710,371	\$ 16,312,086

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

Note 14: Defined Benefit OPEB Plans

A. 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.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 14: Defined Benefit OPEB Plans (continued)

A. Plan Description – School Employees Retirement System (SERS) (continued)

In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute.

The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org 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. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14.0% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, 0.0% of covered payroll was made to health care. Active employee members do not contribute to the Health Care Plan. 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 the fiscal year ended June 30, 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the District's surcharge obligation was \$117,168.

The District's contractually required contribution to SERS for health care was \$117,168 for fiscal year 2023. Of this amount \$117,168 is reported as an intergovernmental payable.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 14: Defined Benefit OPEB Plans (continued)

B. 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. STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the “Board”) has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium. 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, 2023, STRS did not allocate any employer contributions to post-employment health care.

C. 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, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. SERS’ calculation of the employers’ proportionate share is based on actual contributions made to the pension plan plus actual surcharge contributions made to the OPEB plan because the total of these two amounts is most representative of the level of future contributions to the OPEB plan. STRS’ calculation of the employers’ proportionate share is based on total contributions to the plan for both pension and OPEB. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net OPEB liability/asset prior measurement date	0.145426%	0.133907%	
Proportion of net OPEB liability/asset current measurement date	<u>0.164722%</u>	<u>0.129151%</u>	
Change in proportionate share	<u>0.019296%</u>	<u>(0.004756%)</u>	
Proportionate share of the net OPEB liability	\$ 2,312,712	\$ -	\$ 2,312,712
Proportionate share of the net OPEB asset	\$ -	\$ 3,344,143	\$ 3,344,143
Reduction OPEB expense	\$ 98,640	\$ 612,564	\$ 711,204

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 14: Defined Benefit OPEB Plans (continued)

C. OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

At June 30, 2023, 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	\$ 19,442	\$ 48,478	\$ 67,920
Change in assumptions	367,866	142,449	510,315
Difference between projected and actual earnings on plan investments	12,020	58,213	70,233
Changes in proportionate share and difference between District contributions and proportionate share of contributions	611,059	16,645	627,704
District contributions subsequent to the measurement date	<u>117,168</u>	<u>-</u>	<u>117,168</u>
Total deferred outflows of resources	\$ <u>1,127,555</u>	\$ <u>265,785</u>	\$ <u>1,393,340</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 1,479,380	\$ 502,226	\$ 1,981,606
Change in assumptions	949,385	2,371,318	3,320,703
Changes in proportionate share and difference between District contributions and proportionate share of contributions	<u>308,013</u>	<u>20,465</u>	<u>328,478</u>
Total deferred inflows of resources	\$ <u>2,736,778</u>	\$ <u>2,894,009</u>	\$ <u>5,630,787</u>

The \$117,168 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	\$ (405,793)	\$ (776,937)	\$ (1,182,730)
2025	(406,878)	(757,270)	(1,164,148)
2026	(370,934)	(354,472)	(725,406)
2027	(254,046)	(149,334)	(403,380)
2028	(148,357)	(195,445)	(343,802)
Thereafter	<u>(140,383)</u>	<u>(394,766)</u>	<u>(535,149)</u>
Total	\$ <u>(1,726,391)</u>	\$ <u>(2,628,224)</u>	\$ <u>(4,354,615)</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 14: Defined Benefit OPEB Plans (continued)

D. 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.

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

Actuarial cost method	Entry age normal
Wage inflation	2.40%
Projected salary increases	3.25% to 13.58%, including inflation
Investment rate of return	7.00%, net of investing expense, including inflation
Municipal bond index rate:	
Measurement date	3.69%
Prior measurement date	1.92%
Year FNP is projected to be depleted	2044
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	4.08%
Prior measurement date	2.27%
Medical trend assumption	7.00% to 4.40%

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 14: Defined Benefit OPEB Plans (continued)

D. Actuarial Assumptions – SERS (continued)

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality rates for disable retirees were based on PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

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

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 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00% as of June 30, 2022, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Measurement date of June 30, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	(0.45%)
US equity	24.75	5.37
Non-US equity developed	13.50	6.22
Non-US equity emerging	6.75	8.22
Fixed income/global bonds	19.00	1.20
Private equity	11.00	10.05
Real estate/real assets	16.00	4.87
Multi-asset strategies	4.00	3.39
Private debt/private credit	3.00	5.38
Total	<u>100.00%</u>	

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 14: Defined Benefit OPEB Plans (continued)

D. Actuarial Assumptions – SERS (continued)

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination for the June 30, 2022 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate at June 30, 2022 was 3.69%. At June 30, 2022, the long-term expected rate of return on health care investments was applied to projected costs through the year 2044, and the municipal bond rate was applied to all health care costs after that date.

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 one percentage point lower and higher than the current discount rate. Also shown is what SERS’ net OPEB liability would be based on health care cost trend rates that are one percentage point lower and higher than the current rate.

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(3.08%)</u>	<u>(4.08%)</u>	<u>(5.08%)</u>
District's proportionate share of the net OPEB liability	\$ 2,872,422	\$ 2,312,712	\$ 1,860,872

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 1,783,515	\$ 2,312,712	\$ 3,003,927

Assumption Changes The SERS OPEB discount rate was changed from 2.27% to 4.08% percent, which impacted the annual actuarial valuation for OPEB prepared as of June 30, 2022. The health care trend rates were also updated.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 14: Defined Benefit OPEB Plans (continued)

E. Actuarial Assumptions – STRS

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

Actuarial cost method	Entry age normal
Salary increases	Varies by service form 2.5% to 8.5%
Payroll increases	3.00%
Investment rate of return	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%

Health care cost trends	<u>Initial</u>	<u>Ultimate</u>
Medical		
Pre-Medicare	7.50%	3.94%
Medicare	(68.78%)	3.94%
Prescription drug		
Pre-Medicare	9.00%	3.94%
Medicare	(5.47%)	3.94%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members. For healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

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 below for measurement year 2022:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic equity	26.00%	6.60%
International equity	22.00	6.80
Alternatives	19.00	7.38
Fixed income	22.00	1.75
Real estate	10.00	5.75
Liquidity reserves	1.00	1.00
Total	<u>100.00%</u>	

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 14: Defined Benefit OPEB Plans (continued)

E. Actuarial Assumptions – STRS (continued)

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

** 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25%, and is net of investment expenses. Over a 30-year period, STRS’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes STRS 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 make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was used to measure the total OPEB liability as of June 30, 2022.

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>Discount Rate</u>	<u>(7.00%)</u>
		<u>(7.00%)</u>	<u>(8.00%)</u>
District's proportionate share of the net OPEB asset	\$ 3,091,571	\$ 3,344,143	\$ 3,560,491

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
		<u>Trend Rate</u>	
District's proportionate share of the net OPEB asset	\$ 3,468,689	\$ 3,344,143	\$ 3,186,932

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 14: Defined Benefit OPEB Plans (continued)

E. Actuarial Assumptions – STRS (continued)

Assumption Changes Since the Prior Measurement Date: Changes in key assumptions used in calculating the total OPEB liability in the prior year are presented below:

	<u>Initial</u>	<u>Ultimate</u>
Health care cost trends		
Medical		
Pre-Medicare	5.00%	4.00%
Medicare	(16.18%)	4.00%
Prescription drug		
Pre-Medicare	6.50%	4.00%
Medicare	29.98%	4.00%

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

Note 15: Employee Benefits

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and state laws. The Superintendent, Treasurer, 12 month administrators and 12 month classified employees earn vacation. Some employees are also eligible for five or more weeks of vacation depending on longevity. Classified employees accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
After 1 Year	2 Weeks
After 5 Years	3 Weeks
After 10 Years	4 Weeks

In addition to the vacation schedule, classified employees having served the District continuously for more than 15 years shall be entitled to one additional day for each complete year served in the District in excess of 15 years. Vacations for classified employees can be taken any time during the year. Employees may carry over a maximum of 10 days from one year to the next or may choose to be paid for vacation in lieu of time off at their rate of pay.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick Leave has an unlimited accumulation of days for certificated personnel and classified personnel.

Service Retirement: Upon retirement, employees shall receive in one lump sum, one-fourth of the accumulated sick leave days multiplied by the per diem rate at the time of retirement up to a maximum of 85 days.

The District also offers retirement pick-up to certain employees.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 16: Interfund Transactions

A. Interfund balances

Interfund balances consisted of the following at June 30, 2023, as reported on the fund statements:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,482,227	\$ -
Non-major Governmental Fund	<u>-</u>	<u>1,482,227</u>
Total	\$ <u>1,482,227</u>	\$ <u>1,482,227</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 government-wide financial statements.

As of June 30, 2023, interfund transfers were as follows:

Transfer to:	<u>Transfer From</u>		
	<u>General Fund</u>	<u>Internal Service</u>	<u>Total</u>
General Fund	\$ -	\$ 200,000	\$ 200,000
Permanent Improvement Fund	734,986	-	734,986
Non-major Governmental Funds	<u>127,389</u>	<u>-</u>	<u>127,389</u>
Total	\$ <u>862,375</u>	\$ <u>200,000</u>	\$ <u>1,062,375</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them in accordance with budgetary authorizations. The transfers from the general fund to the permanent improvement fund and non-major governmental funds were made to provide resources for current operations. The transfer from the internal service fund to the general fund were made to due to overfunding in the internal service fund. This transfer was approved by the Board of Education as well as by the State. No transfers were inconsistent with the purpose of the fund making the transfer.

Note 17: 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 17: Contingencies (continued)

B. Litigation

The District is party to legal proceedings. The outcome of the proceeding is currently unknown.

C. School District Foundation Funding

District 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. ODE has finalized the adjustments and they did not have any significant impact on the District's funding.

Note 18: Set-Aside Requirements

The District is required by State statute to annually set aside in the General Fund an amount on a 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 year-end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2022	\$ -
Current year set-aside requirements	665,947
Qualifying disbursements	<u>(2,629,705)</u>
Total set-aside reserve balance as of June 30, 2023	<u>\$ (1,963,758)</u>

Although the District had qualifying disbursements during the year that reduced the capital improvements set-aside amount below zero, this amount may not be used to reduce the set-aside requirement for future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2023

Note 19: Other Significant Commitments

At June 30, 2023, the District’s significant contractual commitments consisted of:

Vendor	Contract Amount	Amount Paid	Remaining on Contract
GPD Group	\$ 552,813	\$ 370,084	\$ 182,729
Geotechnical services	112,000	11,872	100,128
Cardinal bus sales and service	674,862	-	674,862
Carter Jones Companies	76,959	-	76,959
Cleveland Vicon	55,163	-	55,163
Security Technology	155,647	-	155,647
Lennox Commercial	57,044	-	57,044
A-Tech Ash County	84,860	22,008	62,852
Lexia Learning	153,240	-	153,240
Total outstanding commitments	\$ 1,922,588	\$ 403,964	\$ 1,518,624

Other significant commitments include the encumbrances outstanding for the General Fund, Permanent Improvement Fund and Nonmajor Funds were as follows:

	<u>Encumbrances</u>
General Fund	\$ 441,967
Permanent Improvement Fund	293,885
Nonmajor Funds	401,086
Total other significant commitments	\$ 1,136,938

Note 20: Tax Abatements

Under agreements entered into by the City of Ashtabula and the Saybrook Township, property tax revenues were reduced by \$44,209 and \$33,743, respectively.

Note 21: Asset Retirement Obligations

Ohio Administrative Code Section 1301-7-9 requires a District classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$16,932 associated with the District’s underground storage tank was estimated by the District. The remaining useful life of the UST is 0 years.

Ashtabula Area City School District

Required Supplementary Information Schedule of the District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio

For the Last Ten Fiscal Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.161033%	0.140829%	0.0157178%	0.149936%	0.144482%
District's proportionate share of the net pension liability	\$ 8,709,913	\$ 5,196,190	\$ 10,396,083	\$ 8,970,929	\$ 8,274,757
District's covered payroll	\$ 5,677,644	\$ 4,777,900	\$ 5,494,257	\$ 5,143,657	\$ 4,774,111
District's proportionate share of the net pension liability as a percentage of its covered payroll	153.41%	108.75%	189.22%	174.41%	173.33%
Plan fiduciary net position as a percentage of the total pension liability	75.82%	82.86%	68.55%	70.85%	71.36%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.143723%	0.147634%	0.145087%	0.142638%	0.142638%
District's proportionate share of the net pension liability	\$ 8,587,102	\$ 10,805,447	\$ 8,278,822	\$ 7,218,828	\$ 8,482,224
District's covered payroll	\$ 4,694,671	\$ 5,034,179	\$ 3,941,929	\$ 4,592,921	\$ 4,631,561
District's proportionate share of the net pension liability as a percentage of its covered payroll	182.91%	214.64%	210.02%	157.17%	183.14%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior year.

The accompany notes are an integral part of the required supplemental information

Ashtabula Area City School District

Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio

For the Last Ten Fiscal Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
District's proportion of the net pension liability	0.129151%	0.133907%	0.140329%	0.140186%	0.135702%
District's proportionate share of the net pension liability	\$ 28,710,371	\$ 17,121,242	\$ 33,954,680	\$ 31,001,234	\$ 29,837,817
District's covered payroll	\$ 16,730,493	\$ 16,572,479	\$ 16,980,800	\$ 16,600,264	\$ 15,592,543
District's proportionate share of the net pension liability as a percentage of its covered payroll	171.61%	103.31%	199.96%	186.75%	191.36%
Plan fiduciary net position as a percentage of the total pension liability	78.90%	87.80%	75.50%	77.40%	77.30%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.13652%	0.137571%	0.134112%	0.135699%	0.135699%
District's proportionate share of the net pension liability	\$ 32,431,978	\$ 46,049,177	\$ 37,064,601	\$ 33,006,671	\$ 39,317,331
District's covered payroll	\$ 15,108,414	\$ 14,564,893	\$ 13,578,550	\$ 13,472,914	\$ 14,519,138
District's proportionate share of the net pension liability as a percentage of its covered payroll	214.66%	316.17%	272.96%	244.99%	270.80%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior year.

The accompany notes are an integral part of the required supplemental information

Ashtabula Area City School District

Required Supplementary Information Schedule of the District Pension Contributions School Employees Retirement System of Ohio

For the Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 892,951	\$ 794,873	\$ 668,906	\$ 769,196	\$ 694,394
Contributions in relation to the contractually-required contribution	<u>(892,951)</u>	<u>(794,873)</u>	<u>(668,906)</u>	<u>(769,196)</u>	<u>(694,394)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 6,378,221	\$ 5,677,664	\$ 4,777,900	\$ 5,494,257	\$ 5,143,657
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.50%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 644,505	\$ 657,254	\$ 704,785	\$ 519,546	\$ 636,579
Contributions in relation to the contractually-required contribution	<u>(644,505)</u>	<u>(657,254)</u>	<u>(704,785)</u>	<u>(519,546)</u>	<u>(636,579)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 4,774,111	\$ 4,694,671	\$ 5,034,179	\$ 3,941,929	\$ 4,592,921
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%	13.86%

The accompany notes are an integral part of the required supplemental information

Ashtabula Area City School District

Required Supplementary Information Schedule of the District Pension Contributions State Teachers Retirement System of Ohio

For the Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 2,364,571	\$ 2,342,269	\$ 2,320,147	\$ 2,377,312	\$ 2,324,037
Contributions in relation to the contractually-required contribution	<u>(2,364,571)</u>	<u>(2,342,269)</u>	<u>(2,320,147)</u>	<u>(2,377,312)</u>	<u>(2,324,037)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 16,889,793	\$ 16,730,493	\$ 16,572,479	\$ 16,980,800	\$ 16,600,264
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 2,182,956	\$ 2,115,178	\$ 2,039,085	\$ 1,900,997	\$ 1,751,479
Contributions in relation to the contractually-required contribution	<u>(2,182,956)</u>	<u>(2,115,178)</u>	<u>(2,039,085)</u>	<u>(1,900,997)</u>	<u>(1,751,479)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 15,592,543	\$ 15,108,414	\$ 14,564,893	\$ 13,578,550	\$ 13,472,914
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%

The accompany notes are an integral part of the required supplemental information

Ashtabula Area City School District

Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio

For the Last Seven Fiscal Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	
District's proportion of the net OPEB liability	0.164722%	0.145426%	0.160241%	
District's proportionate share of the net OPEB liability	\$ 2,312,712	\$ 2,752,308	\$ 3,482,556	
District's covered payroll	\$ 5,677,664	\$ 4,777,900	\$ 5,494,257	
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.73%	57.60%	63.39%	
Plan fiduciary net position as a percentage of the total OPEB liability	30.34%	24.08%	18.17%	
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.153846%	0.147163%	0.145757%	0.149660%
District's proportionate share of the net OPEB liability	\$ 3,868,914	\$ 4,082,698	\$ 3,911,721	\$ 4,265,850
District's covered payroll	\$ 5,143,657	\$ 4,774,111	\$ 4,694,671	\$ 5,034,179
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.22%	85.52%	83.32%	84.74%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior fiscal year.

Ashtabula Area City School District

Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Asset/Liability
 State Teachers Retirement System of Ohio

For the Last Seven Fiscal Years (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	
District's proportion of the net OPEB asset/liability	0.129151%	0.133907%	0.140329%	
District's proportionate share of the net OPEB (asset) liability	\$ (3,344,143)	\$ (2,823,324)	\$ (2,466,284)	
District's covered payroll	\$ 16,730,493	\$ 16,572,479	\$ 16,980,800	
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(19.99)%	(17.04)%	(14.52)%	
Plan fiduciary net position as a percentage of the total OPEB liability	230.70%	174.70%	182.10%	
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB asset/liability	0.140186%	0.135702%	0.136526%	0.137571%
District's proportionate share of the net OPEB (asset) liability	\$ (2,321,813)	\$ (2,180,593)	\$ 5,326,730	\$ 7,357,336
District's covered payroll	\$ 16,600,264	\$ 15,592,543	\$ 15,108,414	\$ 14,564,893
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(13.99)%	(13.98)%	35.26%	50.51%
Plan fiduciary net position as a percentage of the total OPEB liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior fiscal year.

Ashtabula Area City School District

Required Supplementary Information Schedule of the District OPEB Contributions School Employees Retirement System of Ohio

For the Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution (1)	\$ 117,168	\$ 107,901	\$ 94,405	\$ 89,403	\$ 120,519
Contributions in relation to the contractually required contribution	<u>(117,168)</u>	<u>(107,901)</u>	<u>(94,405)</u>	<u>(89,403)</u>	<u>(120,519)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 6,055,279	\$ 5,677,664	\$ 4,777,900	\$ 5,494,257	\$ 5,143,657
Contributions as a percentage of covered payroll	1.93%	1.90%	1.98%	1.63%	2.34%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution (1)	\$ 105,977	\$ 79,031	\$ 75,937	\$ 113,594	\$ 84,998
Contributions in relation to the contractually required contribution	<u>(105,977)</u>	<u>(79,031)</u>	<u>(75,937)</u>	<u>(113,594)</u>	<u>(84,998)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 4,774,111	\$ 4,694,671	\$ 5,034,179	\$ 3,941,929	\$ 4,592,921
Contributions as a percentage of covered payroll	2.22%	1.68%	1.51%	2.88%	1.85%

(1) Includes surcharge

Ashtabula Area City School District

Required Supplementary Information Schedule of the District OPEB Contributions State Teachers Retirement System of Ohio

For the Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 16,889,793	\$ 16,730,493	\$ 16,572,479	\$ 16,980,800	\$ 16,600,264
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 134,729
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,729)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 15,592,543	\$ 15,108,414	\$ 14,564,893	\$ 13,578,550	\$ 13,472,914
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%

The accompany notes are an integral part of the required supplemental information

Ashtabula Area City School District

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2023

Note 1: Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2022, an assumption of 2.0% was used for COLA or Ad Hoc Cola. Beginning in fiscal year 2018, an assumption of 2.5% was used. Prior to 2018, an assumption of 3.0% was used.

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. Assumptions are compared to those used in prior fiscal years below:

	<u>Fiscal Year 2023-2022</u>		
Wage inflation	2.40%		
Future salary increases, including inflation	3.25% to 13.58%		
Investment rate of return	7.00% net of investments expense, including inflation		
	<u>Fiscal Year 2021-2017</u>	<u>Fiscal Year 2016 and Prior</u>	
Wage inflation	3.00%	3.25%	
Future salary increases, including inflation	3.50% to 18.20%	4.00% to 22.00%	
Investment rate of return	7.50% net of investments expense, including inflation	7.75% net of investments expense, including inflation	

Beginning with fiscal year 2022, mortality assumptions use mortality rates that are based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2023, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions are compared to those used in prior fiscal years are presented below:

Ashtabula Area City School District

Notes to the Required Supplementary Information (continued)

For the Fiscal Year Ended June 30, 2023

Note 1: Net Pension Liability (continued)

Changes in Assumptions – STRS (continued)

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>
Inflation	2.50%	2.50%
Discount rate	7.00%	7.00%
Projected salary increases	Varies by service from 2.5% to 8.5%	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017	0.00%, effective July 1, 2017
	<u>Fiscal Year 2021-2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50%	2.75%
Discount rate	7.45%	7.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017	2.00% simple applied as follows: for members retiring before August 1, 2013, 2.00% per year; for members retiring August 1, 2013, or later, 2.00% COLA commences on fifth anniversary of retirement date.

Beginning in fiscal year 2023, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Ashtabula Area City School District

Notes to the Required Supplementary Information (continued)

For the Fiscal Year Ended June 30, 2023

Note 1: Net Pension Liability (continued)

Changes in Assumptions – STRS (continued)

For fiscal year 2019 through 2022, 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. Postretirement 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.

For fiscal year 2018, 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.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Note 2: Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2023 3.69%

Fiscal year 2022 1.92%

Fiscal year 2021 2.45%

Fiscal year 2020 3.13%

Fiscal year 2019 3.62%

Fiscal year 2018 3.56%

Fiscal year 2017 2.92%

Ashtabula Area City School District

Notes to the Required Supplementary Information (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Net OPEB Liability (Asset) (continued)

Changes in Assumptions – SERS (continued)

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2023 4.08%

Fiscal year 2022 2.27%

Fiscal year 2021 2.63%

Fiscal year 2020 3.22%

Fiscal year 2019 3.70%

Fiscal year 2018 3.63%

Fiscal year 2017 2.98%

Beginning in fiscal year 2023 the healthcare cost trend rate was updated from 6.75% decreasing to 4.40% to 7.00% decreasing to 4.40%. Beginning in fiscal year 2022 the healthcare cost trend rate was updated from 7.00% decreasing to 4.75% to 6.75% decreasing to 4.40%. Beginning in fiscal year 2021 the healthcare cost trend rate was updated from 7.25% decreasing to 4.75% to 7.00% decreasing to 4.75%. Beginning in fiscal year 2020 the healthcare cost trend rate was updated from 7.5% decreasing to 5.0% to 7.25% decreasing to 4.75%.

Changes in Assumptions – STRS

For fiscal year 2022, the discount rate was decreased from 7.45% to 7.00%. Changes to healthcare cost trends for medical and prescription drug were adjusted for Medicare.

For fiscal year 2019, 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)*. Valuation year per capita health care costs were updated.

Also for fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, 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)* and the long term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Ashtabula Area City School District

Notes to the Required Supplementary Information (continued)

For the Fiscal Year Ended June 30, 2023

Note 2: Net OPEB Liability (Asset) (continued)

Changes in Assumptions – STRS (continued)

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in Benefit Term – STRS

There was no change to the claims costs process. Claim curves were updated to reflect the projected June 30, 2023 premium based on June 30, 2022 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2023 from 2.100% to 2.200%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2023. The Medicare Part D subsidy is expected to be negative in 2023 and is not included in the fiscal 2023 rates.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in 2022. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

There was no change to the claims costs process. Claim curves were updated to reflect the projected June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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.

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ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education and Workforce:</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	2023	\$573,847
National School Lunch Program	10.555	2023	1,461,757
COVID - 19 National School Lunch Program	10.555	2023	23,545
Non-Cash Food Commodities	10.555	2023	153,635
Subtotal - Child Nutrition Cluster			<u>2,212,784</u>
COVID-19 - Pandemic Electronic Benefit Transfer (P-EBT)	10.649	2023	3,135
Total U.S. Department of Agriculture			<u>2,215,919</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education and Workforce:</i>			
Title I - Grants to Local Educational Agencies	84.010A	2022	43,764
Title I - Grants to Local Educational Agencies		2023	124,458
Title I A - Improving Basic Programs		2022	263,540
Title I A - Improving Basic Programs		2023	1,771,717
Title I - Expanding Opportunities		2022	1,246
Title I - Expanding Opportunities		2023	48,144
Subtotal - Title I			<u>2,252,869</u>
<i>Special Education Cluster:</i>			
IDEA-B - Special Education Grants to State	84.027A	2022	152,936
IDEA-B - Special Education Grants to State	84.027A	2023	950,885
COVID-19 - IDEA-B - Special Education Grants to State	84.027X	2022	6,225
COVID-19 - IDEA-B - Special Education Grants to State	84.027X	2023	81,239
Subtotal - Special Education Grant			<u>1,191,285</u>
Special Education - Preschool Grants	84.173A	2023	14,511
Subtotal - Special Education Cluster			<u>1,205,796</u>
Title VI-B - Rural Education	84.358B	2022	492
Title VI-B - Rural Education	84.358B	2023	88,659
Subtotal - Title VI-B - Rural Education			<u>89,151</u>
Title III - English Language Acquisition	84.365A	2022	5,909
Title II - A Improving Teacher Quality State Grants	84.367A	2022	11,332
Title II - A Improving Teacher Quality State Grants	84.367A	2023	180,449
Subtotal - Title II - A Improving Teacher Quality State Grants			<u>191,781</u>
Student Support and Academic Enrichment Program	84.424A	2022	8,195
Student Support and Academic Enrichment Program	84.424A	2023	148,346
Subtotal - Student Support			<u>156,541</u>
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER) II	84.425D	2022	935,782
COVID-19 - American Rescue Plan (ARP) - ESSER	84.425U	2022	3,348,868
COVID-19 - ARP - ESSER Homeless Children and Youth	84.425W	2023	154
Subtotal - ESSER			<u>4,284,804</u>
Total - U.S. Department of Education			<u>8,186,851</u>
<u>U.S. DEPARTMENT OF TREASURY:</u>			
<i>Passed Through the Ohio Department of Budget and Management</i>			
COVID-19 State Fiscal Recovery Funds	21.027	2023	286,529
Total U.S. Department of Treasury			<u>286,529</u>
<u>U.S. FEDERAL COMMUNICATIONS COMMISSION:</u>			
<i>Direct Funding Through the Federal Communications Commission</i>			
COVID-19 - Emergency Connectivity Fund Program	32.009	2023	13,242
Total U.S. Federal Communications Commission			<u>13,242</u>
Total Expenditures of Federal Awards			<u>\$10,702,541</u>

The accompanying notes are an integral part of this schedule.

**ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Ashtabula Area City School District (the District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows 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.

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*

Ashtabula Area City School District
Ashtabula County
6610 Sanborn Road
Ashtabula, Ohio 44004

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District, Ashtabula County, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 18, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2024

OHIO AUDITOR OF STATE KEITH FABER



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

Ashtabula Area City School District
Ashtabula County
6610 Sanborn Road
Ashtabula, Ohio 44004

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Keith Faber
Auditor of State
Columbus, Ohio

March 18, 2024

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**ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	AL# 84.010A – Title I; AL# 84.425D – ESSER; AL# 84.425U – ARP ESSER
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	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



ASHTABULA AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/28/2024

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