OHIO AUDITOR OF STATE
KEITH FABER

ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2020

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OHIO AUDITOR OF STATE
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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 Financial Statements

We have audited the accompanying 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 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2021

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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, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the 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 2020 are as follows:

- Total net position of governmental activities decreased $6,066,968 from 2019.

- Total general revenues equaled $44,744,082 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 $8,233,810 of total revenues.

- The District had $59,044,860 in expenses related to governmental activities; $8,233,810 of these expenses was offset by program specific charges for services, operating grants and contributions.

- Total assets of governmental activities decreased by $4,950,134 due primarily to a decrease in capital assets and cash. Capital assets decreased as annual deprecation outpaced additions while cash decreased as expenditures outpaced revenues.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $19,701,632, a decrease of $3,625,409 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.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2020?” The *Statement of Net Position* and *the Statement of Activities* 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.

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 acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's trust funds are Private Purpose Trusts which account for programs that provide assistance to needy students. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position – Fiduciary Funds on page 35. These activities are 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, 2020 compared to June 30, 2019.

Table 1
Net Position

	Governmental Activities 2020	Governmental Activities 2019
Assets:		
Current assets	$ 39,109,652	$ 43,010,453
Net OPEB asset	2,321,813	2,180,593
Capital assets, net	98,452,693	99,643,246
Total assets	139,884,158	144,834,292
Deferred outflows of resources:		
Deferred charge on refunding	89,955	723,048
Pension	8,281,310	10,095,329
OPEB	924,173	487,390
Total deferred outflows of resources	9,295,438	11,305,767
Liabilities:		
Current liabilities	5,488,641	5,369,479
Long term liabilities:		
Due within one year	2,241,804	2,033,130
Due in more than one year:		
Net pension liability	39,972,163	38,112,574
Net OPEB liability	3,868,914	4,082,698
Other liabilities	24,555,988	26,598,321
Total liabilities	76,127,510	76,196,202
Deferred inflows of resources:		
Property taxes	9,639,348	9,853,835
Pension	2,028,656	2,748,328
OPEB	3,958,398	3,849,042
Total deferred inflows of resources	15,626,402	16,451,205
Net position:		
Net investment in capital assets	74,930,276	75,320,227
Restricted	12,433,941	12,245,336
Unrestricted	(29,938,533)	(24,072,911)
Total net position	$ 57,425,684	$ 63,492,652

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*, which significantly revises accounting for costs and liabilities related to pensions and other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability 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.

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.

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 $57,425,684 at the close of the most recent fiscal year.

The main source for the decrease in assets and deferred outflows were due to a decrease in capital assets, cash and deferred outflows related to pension. Capital assets decreased as annual deprecation outpaced additions while cash decreased due to expenditures outpacing revenues.

The most significant change in liabilities and deferred inflows of resources was a decrease in long-term liabilities, which was primarily due a decrease in outstanding debt. This decrease was offset by an increase in the net pension liability due to GASB 68.

A portion of the District's net position reflects investments in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment and vehicles), 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.

Table 2
Changes in Net Position

	Governmental Activities 2020	Governmental Activities 2019
Revenues:		
Program revenues:		
Charges for services	$ 1,885,602	$ 879,126
Operating grants and contributions	6,348,208	5,379,512
Total program revenues	8,233,810	6,258,638
General revenues:		
Property taxes	13,586,038	13,320,207
Grants and entitlements	30,362,696	30,884,072
Investment earnings	317,009	507,309
Miscellaneous revenue	478,339	487,345
Total general revenues	44,744,082	45,198,933
Total revenues	52,977,892	51,457,571
Program expenses:		
Instruction	34,953,489	28,470,057
Support services	18,813,750	15,959,414
Operations of non-instructional services	3,386,801	3,184,696
Extracurricular activities	602,526	586,381
Facilities acquisition and construction	162,211	457,301
Interest and fiscal charges	1,126,083	1,018,093
Total program expenses	59,044,860	49,675,942
Change in net position before transfers	(6,066,968)	1,781,629
Transfers – out	-	(150)
Change in net position	(6,066,968)	1,781,479
Net position at beginning of year	63,492,652	61,711,173
Net position at end of year	$ 57,425,684	$ 63,492,652

Effects of GASB 68

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 2020 is $6,100,444, while in 2019 pension expense was $3,454,498. The District was required to contribute $3,146,508 and $3,018,431 during 2020 and 2019, respectively.

Effects of GASB 75

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 2020 is $(593,028), while in 2019 OPEB expense was $(4,620,130). The District was required to contribute $89,403 and $120,519 during 2020 and 2019, respectively.

Governmental Activities

Net position of the District's governmental activities decreased by $6,066,968. Program revenues of $8,233,810 and general revenues of $44,744,082 were unable to provide for total governmental expenses of $59,044,860.

The primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. These revenue sources represent over 95% of total governmental revenue.

Instruction and support services make up over 91% of governmental program expenses. The largest program expense relates to regular instruction which increased $3,972,577 in the current year primarily due to GASB 68 and 75.

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 2020 and 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Program expenses:				
Instruction	$ 34,953,489	$ 29,576,278	$ 28,470,057	$ 24,700,434
Support services	18,813,750	18,789,905	15,959,414	15,943,803
Operations of non-instructional services	3,386,801	602,799	3,184,696	1,154,466
Extracurricular activities	602,526	553,774	586,381	143,207
Facilities acquisition and construction	162,211	162,211	457,301	457,301
Interest and fiscal charges	1,126,083	1,126,083	1,018,093	1,018,093
Total expenses	$ 59,044,860	$ 50,811,050	$ 49,675,942	$ 43,417,304

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 95% of 2020 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 $53,003,721, expenditures of $57,252,239, and net other financing sources and uses of $623,109. The net change in fund balance for the year was most significant in the Non-major Governmental Funds, where the fund balance decreased by $1,883,801 due to a decrease in the Elementary and Secondary School Emergency Relief Fund.

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 2020, 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 $437,505 less than the original budget estimates of $41,283,569. Actual revenues, including other financing sources matched the final budget estimates. Final appropriations, including other financing uses was $1,027,202 less than the original budget estimates of $44,696,130. Actual expenditures and final appropriations, including other financing uses remained the same.

Capital Assets

At the end of fiscal year 2020 the District had $98,452,693 invested in land, land improvements, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2020 balances compared to 2019. The majority of the decrease was the result of increased accumulated depreciation expense due to annual depreciation.

Table 4
Capital Assets at June 30
(Net of Accumulated Depreciation)

	Governmental Activities 2020	Governmental Activities 2019
Land	$ 1,818,244	$ 1,741,522
Land improvements	2,378,040	2,531,803
Buildings	91,981,324	93,263,853
Furniture and equipment	1,433,427	1,141,531
Vehicles	841,658	964,537
Totals	$ 98,452,693	$ 99,643,246

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

Debt

At June 30, 2020, the District had bonds outstanding. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities 2020	Governmental Activities 2019
General obligation bonds:		
Serial bonds	$ 22,400,000	$ 23,830,000
Capital appreciation bonds	429,971	85,772
Accretion on CABs	-	589,905
Total	$ 22,829,971	$ 24,505,677

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

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. Due to the unsettled issues in the school funding due to the Covid-19 pandemic, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

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, 2020

		Governmental Activities
Assets:		
Equity in pooled cash and cash equivalents	$	23,413,833
Prepaid items		55,562
Accrued interest receivable		19,050
Intergovernmental receivable		1,292,454
Materials and supplies inventory		147,219
Property taxes receivable		14,181,534
Net OPEB asset		2,321,813
Non-depreciable capital assets		1,818,244
Depreciable capital assets, net		96,634,449
Total assets		139,884,158
Deferred outflows of resources:		
Deferred charges on refunding		89,955
Pension		8,281,310
OPEB		924,173
Total deferred outflows of resources		9,295,438
Liabilities:		
Accounts payable		470,252
Accrued wages and benefits		3,101,805
Accrued interest payable		16,554
Intergovernmental payable		568,971
Matured compensated absences		74,758
Claims payable		1,256,301
Long-term liabilities:		
Due within one year		2,241,804
Due in more than one year:		
Net pension liability		39,972,163
Net OPEB liability		3,868,914
Other amounts due in more than one year		24,555,988
Total liabilities		76,127,510
Deferred inflows of resources:		
Property taxes		9,639,348
Pension		2,028,656
OPEB		3,958,398
Total deferred inflows of resources		15,626,402

(continued)

Ashtabula Area City School District

Statement of Net Position (continued)

June 30, 2020

		Governmental Activities
Net position:		
Net investment in capital assets		74,930,276
Restricted for:		
Capital projects		2,855,262
Debt service		8,585,496
Other purposes		993,183
Unrestricted		(29,938,533)
Total net position	$	57,425,684

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, 2020

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities
Instruction:				
Regular education	$ 21,719,656	$ 819,465	$ 607,759	$ (20,292,432)
Special education	12,036,457	851,397	3,098,590	(8,086,470)
Vocational education	87,912	-	-	(87,912)
Adult/continuing education	27,626	-	-	(27,626)
Other instruction	1,081,838	-	-	(1,081,838)
Support services:				
Pupil	3,253,268	-	-	(3,253,268)
Instructional staff	1,269,395	-	-	(1,269,395)
Board of education	421,835	-	-	(421,835)
Administration	3,100,967	-	-	(3,100,967)
Fiscal	1,079,641	-	-	(1,079,641)
Business	837,364	-	-	(837,364)
Operation and maintenance of plant	5,341,956	-	-	(5,341,956)
Pupil transportation	3,304,308	11,245	-	(3,293,063)
Central	205,016	-	12,600	(192,416)
Operation of non-instructional services:				
Food service	2,568,801	154,743	2,239,399	(174,659)
Community services	712,295	-	389,860	(322,435)
Other operation of non-instruction services	2,273	-	-	(2,273)
Shared services	103,432	-	-	(103,432)
Extracurricular activities	602,526	48,752	-	(553,774)
Facilities acquisitions and construction services	162,211	-	-	(162,211)
Interest and fiscal charges	1,126,083	-	-	(1,126,083)
Total governmental activities	$ 59,044,860	$ 1,885,602	$ 6,348,208	(50,811,050)

General revenues:	
Property and other taxes levied for:	
General purpose	10,152,267
Debt service	1,935,101
Capital outlay	1,310,088
Capital maintenance	188,582
Grant and entitlements not restricted to specific programs	30,362,696
Investment income	317,009
Miscellaneous revenue	478,339
Total general revenues	44,744,082
Change in net position	(6,066,968)
Net position at beginning of year	63,492,652
Net position at end of year	$ 57,425,684

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Balance Sheet
Governmental Funds

June 30, 2020

	General	Debt Service	Permanent Improvement
Assets:			
Equity in pooled cash and cash equivalents	$ 8,210,966	$ 7,939,628	$ 2,415,788
Taxes receivable	10,593,238	2,020,281	1,371,024
Accrued interest receivable	19,050	-	-
Intergovernmental receivable	72,992	-	-
Interfund receivable	2,044,626	-	-
Materials and supplies inventory	128,570	-	-
Total assets	$ 21,069,442	$ 9,959,909	$ 3,786,812
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Accounts payable	$ 243,674	$ -	$ 65,394
Accrued wages and benefits	2,657,012	-	-
Intergovernmental payable	504,648	-	-
Matured compensated absences	74,758	-	-
Interfund payable	-	-	-
Total liabilities	3,480,092	-	65,394
Deferred inflows of resources:			
Property taxes	7,222,787	1,357,859	926,149
Unavailable revenue	1,063,320	209,060	140,298
Total deferred inflows of resources	8,286,107	1,566,919	1,066,447
Fund balances:			
Nonspendable	128,570	-	-
Restricted	11,000	8,392,990	2,654,971
Committed	-	-	-
Assigned	3,114,840	-	-
Unassigned (deficit)	6,048,833	-	-
Total fund balances	9,303,243	8,392,990	2,654,971
Total liabilities, deferred inflows of resources and fund balances	$ 21,069,442	$ 9,959,909	$ 3,786,812

The accompanying notes are an integral part of these financial statements

Non-major Governmental Funds	Total Governmental Funds
$ 1,027,167	$ 19,593,549
196,991	14,181,534
-	19,050
1,219,462	1,292,454
-	2,044,626
18,649	147,219
$ 2,462,269	$ 37,278,432
$ 161,184	$ 470,252
442,635	3,099,647
64,323	568,971
-	74,758
2,044,626	2,044,626
2,712,768	6,258,254
132,553	9,639,348
266,520	1,679,198
399,073	11,318,546
18,649	147,219
763,674	11,822,635
59,993	59,993
-	3,114,840
(1,491,888)	4,556,945
(649,572)	19,701,632
$ 2,462,269	$ 37,278,432

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, 2020

Total Governmental Funds Balances			$	19,701,632
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.				98,452,693
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				
Delinquent property taxes	$	1,397,554		
Intergovernmental		262,594		
Investment income		19,050		
Total				1,679,198
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.				2,617,387
Long-term liabilities are not due and payable in the current period and are, therefore, not reported in the funds.				
General obligation serial bonds		(23,182,401)		
Capital appreciation bonds		(429,971)		
Compensated absences payable		(3,185,420)		
Accrued interest payable		(16,554)		
Total				(26,814,346)
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.				89,955

(continued)

Ashtabula Area City School District

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

June 30, 2020

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	8,281,310	
Deferred inflows – pension	(2,028,656)	
Net pension liability	(39,972,163)	
Net OPEB asset	2,321,813	
Deferred outflows – OPEB	924,173	
Deferred inflows – OPEB	(3,958,398)	
Net OPEB liability	(3,868,914)	
Total		(38,300,835)
Net position of governmental activities		$ 57,425,684

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2020

	General	Debt Service	Permanent Improvement
Revenues:			
Taxes	$ 10,151,088	$ 1,935,101	$ 1,310,025
Intergovernmental	28,945,514	416,712	170,623
Tuition and fees	696,240	-	-
Investment earnings	223,052	86,079	-
Extracurricular activities	837	-	-
Classroom materials and fees	12,545	-	-
Miscellaneous revenue	394,203	-	-
Total revenues	40,423,479	2,437,892	1,480,648
Expenditures:			
Current:			
Instruction:			
Regular education	19,029,372	-	105,752
Special education	8,137,221	-	-
Vocational education	85,466	-	-
Adult/continuing education	-	-	-
Other instruction	796,889	-	-
Support services:			
Pupil	2,244,528	-	-
Instructional staff	676,728	-	-
Board of education	419,151	-	-
Administration	2,236,971	-	79,159
Fiscal	917,600	36,848	54,363
Business	804,934	-	-
Operation and maintenance of plant	3,848,554	-	176,251
Pupil transportation	2,700,554	-	-
Central	121,842	-	102,242
Operation of non-instruction services:			
Food service	-	-	-
Community services	-	-	-
Other operation of non-instruction services	-	-	22,696
Shared services	-	-	-
Extracurricular activities	389,209	-	-
Other facilities acquisition and construction services	217	-	640,415
Debt services:			
Principal	-	1,085,772	-
Interest and fiscal charges	-	1,490,184	-
Issuance costs	-	319,821	-
Total expenditures	42,409,236	2,932,625	1,180,878
Excess of revenues over (under) expenditures	(1,985,757)	(494,733)	299,770

Non-major Governmental Funds	Total Governmental Funds
$ 188,572	$ 13,584,786
7,222,733	36,755,582
973,322	1,669,562
1,276	310,407
47,915	48,752
154,743	167,288
73,141	467,344
8,661,702	53,003,721
241,782	19,376,906
3,002,598	11,139,819
-	85,466
27,626	27,626
264,345	1,061,234
871,457	3,115,985
532,716	1,209,444
-	419,151
490,211	2,806,341
63,407	1,072,218
38,630	843,564
1,221,591	5,246,396
374,895	3,075,449
27,048	251,132
2,347,082	2,347,082
687,946	687,946
-	22,696
95,414	95,414
139,806	529,015
302,946	943,578
-	1,085,772
-	1,490,184
-	319,821
10,729,500	57,252,239
(2,067,798)	(4,248,518)

(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, 2020

	General	Debt Service	Permanent Improvement
Other financing sources (uses):			
Transfers – in	300,188	-	-
Transfers – out	(184,185)	-	-
Premium on debt issuance	-	706,649	-
Issuance of bonds	-	21,094,971	-
Payment to refunded escrow agent	-	(21,478,511)	-
Total other financing sources (uses)	116,003	323,109	-
Net change in fund balance	(1,869,754)	(171,624)	299,770
Fund balance at beginning of year	11,172,997	8,564,614	2,355,201
Fund balance at end of year	$ 9,303,243	$ 8,392,990	$ 2,654,971

The accompanying notes are an integral part of these financial statements

Non-major Governmental Funds	Total Governmental Funds
184,185	484,373
(188)	(184,373)
-	706,649
-	21,094,971
-	(21,478,511)
183,997	623,109
(1,883,801)	(3,625,409)
1,234,229	23,327,041
$ (649,572)	$ 19,701,632

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, 2020

Net change in fund balances – total governmental funds			$	(3,625,409)
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 deprecation differed in the current period.				
Capital outlay	$	1,366,921		
Depreciation		(2,556,446)		
Total				(1,189,525)
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.				(1,028)
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		1,252		
Intergovernmental		(33,683)		
Investment income		6,602		
Total				(25,829)
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.				
Retirement of accretion on capital appreciation bonds		629,229		
Bonds		1,000,000		
Payment to refunded escrow agent		21,478,511		
Capital appreciation bonds		85,772		
Total				23,193,512
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.				
Accretion on capital appreciation bonds		(39,324)		
Amortization of premium		100,964		
Amortization of loss on refunding		(63,025)		
Interest expense		56,078		
Compensated absences		(189,941)		
Total				(135,248)

(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, 2020

Other financing sources in the governmental funds increase long-term liabilities in the Statement of Net Position.		
Refunding bonds	(21,094,971)	
Premium on bonds	(706,649)	
Total		(21,801,620)
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.		
Pension	3,146,508	
OPEB	89,403	
Total		3,235,911
Except for amounts reported as deferred outflows/inflows, changes in net pension liability and net OPEB liability are reported as pension and OPEB expense in the Statement of Activities.		
Pension	(6,100,444)	
OPEB	593,028	
Total		(5,507,416)
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.		(210,316)
Change in net position of governmental activities		$ (6,066,968)

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, 2020

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes	$ 9,463,799	$ 9,876,420	$ 9,876,420	$ -
Intergovernmental	29,797,076	29,000,991	29,000,991	-
Tuition and fees	726,906	707,485	707,485	-
Earnings on investments	253,967	247,182	247,182	-
Classroom materials and fees	883	859	859	-
Miscellaneous revenue	455,953	443,771	443,771	-
Total revenues	40,698,584	40,276,708	40,276,708	-
Expenditures:				
Current:				
Instruction:				
Regular education	19,299,971	18,856,421	18,856,421	-
Special education	8,442,916	8,248,882	8,248,882	-
Vocational education	88,616	86,579	86,579	-
Other instruction	816,281	797,521	797,521	-
Support services:				
Pupil	2,402,887	2,347,664	2,347,664	-
Instructional staff	696,817	680,803	680,803	-
Board of education	407,844	398,471	398,471	-
Administration	2,307,556	2,254,524	2,254,524	-
Fiscal	937,255	915,715	915,715	-
Business	831,279	812,175	812,175	-
Operation and maintenance of plant	4,208,891	4,112,163	4,112,163	-
Pupil transportation	2,809,801	2,745,226	2,745,226	-
Central	104,025	101,634	101,634	-
Extracurricular activities	378,743	370,039	370,039	-
Capital outlay	222	217	217	-
Total expenditures	43,733,104	42,728,034	42,728,034	-
Excess of revenues (under) expenditures	(3,034,520)	(2,451,326)	(2,451,326)	-

(continued)

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2020

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Other financing sources (uses):				
Transfers – in	205,683	200,188	200,188	-
Transfers – out	(188,517)	(184,185)	(184,185)	-
Advances – in	379,302	369,168	369,168	-
Advances – out	(774,509)	(756,709)	(756,709)	-
Total other financing sources (uses)	(378,041)	(371,538)	(371,538)	-
Net change in fund balance	(3,412,561)	(2,822,864)	(2,822,864)	-
Fund balance at beginning of year	10,990,885	10,990,885	10,990,885	-
Prior year encumbrances appropriated	837,142	837,142	837,142	-
Fund balance at end of year	$ 8,415,466	$ 9,005,163	$ 9,005,163	$ -

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, 2020

		Governmental Activities
		Internal Service Funds
Assets:		
Equity in pooled cash and cash equivalents	$	3,820,284
Prepaid items		55,562
Total assets		3,875,846
Liabilities:		
Accrued wages and benefits		2,158
Claims payable		1,256,301
Total liabilities		1,258,459
Net position:		
Unrestricted	$	2,617,387

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, 2020

		Governmental Activities
		Internal Service Funds
Operating revenues:		
Charges for services	$	9,870,651
Miscellaneous		119,437
Total operating revenues		9,990,088
Operating expenses:		
Claims		9,743,762
Fiscal		5,673
Purchased services		150,969
Total operating expenses		9,900,404
Change in net position before transfers		89,684
Transfers – out		(300,000)
Change in net position		(210,316)
Total net position at beginning of year		2,827,703
Total net position at end of year	$	2,617,387

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, 2020

		Governmental Activities
		Internal Service Funds
Cash flows from operating activities:		
Cash received from other funds	$	9,990,088
Cash payments for claims and contractual services		(9,652,303)
Net cash provided by operating activities		337,785
Cash flows from non-capital financing activities:		
Transfers-out		(300,000)
Net increase in cash and cash equivalents		37,785
Cash and cash equivalents at beginning of year		3,782,499
Cash and cash equivalents at end of year	$	3,820,284
Reconciliation of operating income to net cash from operating activities:		
Operating income	$	89,684
Adjustments:		
Change in assets:		
Decrease in prepaid items		19,243
Changes in liabilities:		
Decrease in payables		(40,431)
Increase in accrued wages and benefits		1,077
Increase in claims payable		268,212
Net cash provided by operating activities	$	337,785

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2020

	Private Purpose Trust Funds	Agency
Assets:		
Equity in pooled cash and cash equivalents	$ 91,263	$ 30,295
Liabilities:		
Due to students	-	$ 30,295
Net position:		
Held in trust for scholarships	$ 91,263	

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For Fiscal Year Ended June 30, 2020

		Private Purpose Trust Funds
Additions:		
Investment earnings	$	10
Miscellaneous		6,000
Total additions		6,010
Deductions:		
Extracurricular activities		22,805
Change in net position		(16,795)
Total net position at beginning of year		108,058
Total net position at end of year	$	91,263

The accompanying notes are an integral part of these financial statements

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. Average daily membership (ADM) of the District was 3,921 (this includes open enrollment and online students). The District employed 30 administrative and supervisory personnel, 278 certified employees and 185 non-certificated employees.

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

Note 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.

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 35 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 $111,145 to NEOMIN during fiscal year 2020.

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 seven school districts in the Ashtabula County School Financing District (ACSFD). 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 School Districts' treasurers and superintendents. Each School 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.

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 16 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 School District's degree of control is limited to its representation on the Governing Board. The SST is its own budgeting and taxing authority. The School District made no contributions for fiscal year 2020.

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 and school. 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 School Districts' elected boards. Each School 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 2020 the District had payments of $176,866 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.

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* – This fund accounts for the collection of property taxes that are used for acquiring, constructing, or improving permanent improvements.

Other governmental funds of the District account for food service, grants, other resources, and other 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.

Note 2: Summary of Significant Accounting Policies (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 trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are private purpose trusts funds, which account for programs that provide assistance to needy students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds are used to account for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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.

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.

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).

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, 2020.

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 position 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 position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow 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, tuition, investment income, grants and intergovernmental 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.

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, other than agency 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 2020, investments were limited to money market accounts, negotiable certificates of deposits, United States government securities and United States Treasury Notes.

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 certificate 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, 2020, the average days to maturity was 41.5 days. STAR Ohio carries a AAAm rating by Standard & Poor's.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year amounted to $223,052. The amount allocated from other funds during fiscal year 2020 amounted to $64,329.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, 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.

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. Interest incurred during the construction of capital assets is also capitalized.

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

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

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.

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.

Note 2: Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations (continued)

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 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.

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 positon 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, special education and other grants.

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, 2020, the District did not have net position restricted by enabling legislation.

Note 2: Summary of Significant Accounting Policies (continued)

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.

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.

Note 2: Summary of Significant Accounting Policies (continued)

O. Fund Balance (continued)

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 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. Reclassification

Prior year data presented in the Management’s Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations.

Note 3: Change in Accounting Principle

Newly Adopted Accounting Pronouncements

For fiscal year 2020, the District implemented the following Governmental Accounting Standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 90, *Majority Equity Interests, an amendment to GASB 14 and 61*. This Statement modified previous guidance for reporting a government's equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in the component unit. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* This Statement was issued in May 2020 and extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this Statement were effective immediately and implemented by the District.

GASB Implementation Guide No. 2018-1, *Implementation Guidance Update – 2018*, issued in May 2018, provides guidance that clarifies, explains or elaborates on GASB Statements. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer. These changes were incorporated in the District's 2020 financial statements; however, there was no effect on beginning net position.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2019. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Implementation Guide No. 2019-2, *Fiduciary Activities*, issued in June 2019, provides guidance to address issues related to accounting and financial reporting for fiduciary activities in accordance with the requirements of GASB Statement No. 84. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2019. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Note 3: Change in Accounting Principle (continued)

Newly Issued Accounting Pronouncements, Not Yet Adopted (continued)

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2020. The District has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Implementation Guide No. 2019-1, *Implementation Guide Update-2019* and GASB Implementation Guide No. 2019-3, *Leases*, effective dates were also deferred as a result of GABS Statement No. 95. The effective date of these implementation guides are reporting periods beginning after June 15, 2020 and June 15, 2021, respectively. The District has not yet determined the impact that these implementation guides will have on its financial statements and disclosures.

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:

Fund Balances	General Fund	Debt Service Fund	Permanent Improvement Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	$ 128,570	$ -	$ -	$ 18,649	$ 147,219
Restricted for:					
Community activities	-	-	-	73,598	73,598
Athletics	-	-	-	42,863	42,863
Auxiliary services	-	-	-	44,255	44,255
Special education programs	-	-	-	2	2
Debt service payments	-	8,392,990	-	-	8,392,990
Improving teacher quality	-	-	-	17,861	17,861
Other purposes	11,000	-	-	404,119	415,119
Capital improvements	-	-	2,654,971	180,976	2,835,947
Total restricted	11,000	8,392,990	2,654,971	763,674	11,822,635
Committed to:					
Capital improvements	-	-	-	59,993	59,993
Assigned to:					
Encumbrances	265,265	-	-	-	265,265
Subsequent year's budget:					
Appropriation of fund balance	2,825,015	-	-	-	2,825,015
Other purposes	24,560	-	-	-	24,560
Total assigned	3,114,840	-	-	-	3,114,840
Unassigned (deficit)	6,048,833	-	-	(1,491,888)	4,556,945
Total fund balances (deficit)	$ 9,303,243	$ 8,392,990	$ 2,654,971	$ (649,572)	$ 19,701,632

Note 5: Accountability

The following funds had negative fund balances at June 30, 2020:

Non-Major Special Revenue Funds:	
Food Service	$ 24,726
Public School Preschool	5,887
Miscellaneous State Grants	236
Elementary and Secondary School Emergency Relief	1,376,650
Miscellaneous Federal Grants	36,096
Title I Fund	11,437
Title VI-B Special Education	18,207

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;

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 listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;

4. Bonds and other obligations of the State of Ohio;

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 and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

Deposits

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

Note 6: Deposits and Investments (continued)

Deposits (continued)

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 $18,420,058. At year-end $1,687,442 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, 2020, the District had the following investments:

	Fair Value	Less Than 1 Year	1-5 Years
Federal Farm Credit Bank (FFCB)	$ 1,400,869	$ -	$ 1,400,869
Federal Home Loan Bank (FHLB)	300,144	-	300,144
Federal Home Loan Mortgage Corporation (FHLM)	1,499,555	-	1,499,555
Negotiable certificates of deposits	1,501,193	1,501,193	-
U.S. Treasury Notes	502,870	502,870	-
Money market	41,162	41,162	-
Total portfolio	$ 5,245,793	$ 2,045,225	$ 3,200,568

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

Note 6: Deposits and Investments (continued)

Investments (continued)

The District has the following recurring fair value measurements as of June 30, 2020:

- FFCB, FHLB, and FHLM are measured based on Level 2 inputs, using matric pricing.
- Negotiable certificates of deposit and U.S. Treasury Notes are measured based on Level 2 inputs, using matrix pricing.
- Money market is 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, negotiable certificates of deposit and the Federal Home Loan Bank is unrated. 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, 2020:

	Percentage of Investments
Federal Farm Credit Bank	26.70%
Federal Home Loan Bank	5.72
Federal Home Loan Mortgage Corporation	28.59
Negotiable certificates of deposit	28.62
U.S. Treasury Notes	9.59
Money market	0.78

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.

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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019. 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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019, and are collected in 2020 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, 2020, are available to finance fiscal year 2020 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 2020 taxes were collected were as follows:

	2019 Second-Half Collections		2020 First-Half Collections	
	Amount	Percent	Amount	Percent
Real property	$ 391,287,440	89.99%	$ 390,449,240	89.44%
Public utility personal property	43,542,950	10.01%	46,119,070	10.56%
Total assessed value	$ 434,830,390	100.00%	$ 436,568,310	100.00%
Tax rate per $1,000 of assessed valuation	$ 49.55		$ 49.55	

Accrued property taxes receivables include real property and public utility taxes which are measurable as of June 30, 2020, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end.

The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows 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, 2020, was $2,342,585 in the General Fund, $453,362 in the Bond Retirement Fund, $304,557 in the Permanent Improvement Fund and $44,108 in the Classroom Facilities Maintenance Fund.

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, 2020, 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 Grants	$ 315,913
Ohio School Climate State Grant	9,763
6B IDEA Restoration	12,894
Title III-LEP	104
6b Restoration	7
ESCE	2,423
Title V-B	20,232
Title I	679,345
Title II-A	32,739
Ohio Department of Education	5,409
Title IV-A	47,712
Early Childhood Education	98,330
Ohio Lottery Proceeds	46,723
Miscellaneous	9,865
State Employees Retirement System Refund	10,995
Total governmental activities	$ 1,292,454

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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

(a) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);

Note 9: Budgetary Basis of Accounting (continued)

(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, 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:

	General
GAAP basis	$ (1,869,754)
Net adjustment for revenue accruals	(132,950)
Advances – in	369,168
Net adjustment for expenditure accruals	(149,685)
Advances – out	(756,709)
Adjustment for encumbrances	(321,693)
Funds budgeted elsewhere	38,759
Budget basis	$ (2,822,864)

Note 10: Capital Assets

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

	Balance 6/30/19	Additions	Disposals	Balance 6/30/20
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,741,522	$ 76,722	$ -	$ 1,818,244
Total capital assets, not being depreciated	1,741,522	76,722	-	1,818,244
Capital assets, being depreciated:				
Land improvements	3,081,165	-	-	3,081,165
Buildings	112,102,886	840,239	-	112,943,125
Furniture and equipment	2,203,899	449,960	(10,268)	2,643,591
Vehicles	3,431,381	-	-	3,431,381
Total capital assets, being depreciated	120,819,331	1,290,199	(10,268)	122,099,262
Less accumulated depreciation:				
Land improvements	(549,362)	(153,763)	-	(703,125)
Buildings	(18,839,033)	(2,122,768)	-	(20,961,801)
Furniture and equipment	(1,062,368)	(157,036)	9,240	(1,210,164)
Vehicles	(2,466,844)	(122,879)	-	(2,589,723)
Total accumulated depreciation	(22,917,607)	(2,556,446)	9,240	(25,464,813)
Capital assets being depreciated, net	97,901,724	(1,266,247)	(1,028)	96,634,449
Total capital assets, net	$ 99,643,246	$ (1,189,525)	$ (1,028)	$ 98,452,693

Note 10: Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular education	$ 1,479,260
Special education	419,995
Support services:	
Instructional staff	6,319
Administration	75,124
Fiscal	601
Business	3,163
Operation and maintenance of plant	67,461
Pupil transportation	94,084
Central	1,764
Operation of non-instructional services:	
Food service	137,567
Other	1,857
Extracurricular activities	116,095
Facilities and construction services	153,156
Total depreciation expense	$ 2,556,446

Note 11: Long-Term Liabilities

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

	Principal Outstanding 06/30/19	Additions	Reductions	Principal Outstanding 06/30/20	Amounts Due in One Year
Governmental activities:					
Refunded OSFC construction bonds 2.00% – 4.00% – 12/01/2030	$ 23,830,000	$ -	$ (22,095,000)	$ 1,735,000	$ 1,735,000
Refunded OSFC construction capital appreciation bonds 28.77% – 12/01/2020	85,772	-	(85,772)	-	-
Accretion on refunded capital appreciation bonds	589,905	39,324	(629,229)	-	-
2020 Refunded OSFC construction bonds 1.09% – 2.19% 12/01/2030	-	20,665,000	-	20,665,000	-
2020 Refunded OSFC construction capital appreciation bonds 102.3% – 12/01/2021	-	429,971	-	429,971	146,937
Premium on bonds	1,130,295	706,649	(1,054,543)	782,401	-

Note 11: Long-Term Liabilities (continued)

	Principal Outstanding 06/30/19	Additions	Reductions	Principal Outstanding 06/30/20	Amounts Due in One Year
Net pension liability:					
SERS	8,274,757	696,172	-	8,970,929	-
STRS	29,837,817	1,163,417	-	31,001,234	-
Net OPEB liability:					
SERS	4,082,698	-	(213,784)	3,868,914	-
Compensated absences	2,995,479	390,548	(200,607)	3,185,420	359,867
Total governmental activities long-term liabilities	$ 70,826,723	$ 24,091,081	$ (24,278,935)	$ 70,638,869	$ 2,241,804

The refunded OSFC construction bonds and capital appreciation bonds will be paid from the Debt Service Fund. Compensated absences will be paid from the General Fund.

Principal and interests requirements to retire the OSFC bonds outstanding at June 30, 2020 are as follows:

	Total Bonds	
	Principal	Interest
2021	$ 1,881,937	$ 422,512
2022	1,383,034	995,651
2023	2,055,000	320,913
2024	2,075,000	296,376
2025	2,095,000	269,401
2026-2030	11,010,000	808,852
2031	2,330,000	25,514
Total	$ 22,829,971	$ 3,139,219

On January 11, 2012, the District issued $32,724,958 in general obligation bonds for the purpose of refunding general obligation bonds outstanding in order to take advantage of lower interest rates. The bonds were sold at a premium of $2,215,574 with an issue discount of $348,126. Proceeds of $34,238,553 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the general obligation bonds. As a result, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2020, no defeased bonds are outstanding.

Note 11: Long-Term Liabilities (continued)

During 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. As a result, $21,095,000 of the 2012 bonds is considered defeased and the liability for the refunded portion of these bonds has been removed from the District's financial statements. As of June 30, 2020, the amount of defeased debt outstanding amounted to $21,095,000. 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 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, 2020, are a voted debt margin of $24,854,167 and an unvoted debt margin of $436,568.

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 insurance, and casualty and fleet insurance, are provided through Love Insurance Agency. Blanket limit for the property insurance is $162,695,988 and for the boiler and machinery insurance is $150,000,000, both with $1,000 deductibles. For the casualty and fleet insurance 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, 2022.

The School District also maintains a variety of liability insurance coverages with varying deductibles. The liability insurance on District vehicles has a combined single-limit bodily injury and property damage coverage in the amount of $1,000,000 per occurrence (with no deductible or aggregate). The District also carries public official and employee liability insurance coverage with a $1,000,000 limit of liability and $4,000,000 educators excess liability. The renewal date is January 22, 2022.

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.

Note 12: Risk Management (continued)

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.

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 $1,256,301 at June 30, 2020.

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

Fiscal Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
2020	$ 988,089	$ 9,743,762	$ (9,475,550)	$ 1,256,301
2019	1,061,300	8,633,161	(8,706,372)	988,089

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.

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.

Note 13: Pension Plans (continued)

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 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.

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 is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0% while the funding for Health Care Fund was 0.0%.

The District's contractually-required contribution to SERS was $769,196 for fiscal year 2020. The District contributed 100% of the required contribution as of June 30, 2020.

Note 13: Pension Plans (continued)

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.

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, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. 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.

Note 13: Pension Plans (continued)

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

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.

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, 2020, 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 $2,377,312 for fiscal year 2020. Of this amount $400,648 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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:

	SERS	STRS
Proportion of net pension liability prior measurement date	0.144482%	0.135702%
Proportion of net pension liability current measurement date	0.149936%	0.140186%
Change in proportionate share	0.005454%	0.004484%

Note 13: Pension Plans (continued)

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

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 8,970,929	$ 31,001,234	$ 39,972,163
Pension expense	$ 1,511,264	$ 4,589,180	$ 6,100,444

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 227,482	$ 252,402	$ 479,884
Change in assumptions	-	3,641,694	3,641,694
Changes in proportionate share and difference between District contributions and proportionate share of contributions	188,195	825,029	1,013,224
District contributions subsequent to the measurement date	769,196	2,377,312	3,146,508
Total deferred outflows of resources	$ 1,184,873	$ 7,096,437	$ 8,281,310

Note 13: Pension Plans (continued)

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

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 134,198	$ 134,198
Difference between projected and actual earnings on pension plan investments	115,153	1,515,172	1,630,325
Changes in proportionate share and difference between District contributions and proportionate share of contributions	51,498	212,635	264,133
Total deferred inflows of resources	$ 166,651	$ 1,862,005	$ 2,028,656

The District reported $3,146,508 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	$ 332,107	$ 2,169,497	$ 2,501,604
2022	(140,723)	432,624	291,901
2023	(7,663)	(87,252)	(94,915)
2024	65,305	342,251	407,556
Total	$ 249,026	$ 2,857,120	$ 3,106,146

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.

Note 13: Pension Plans (continued)

E. Actuarial Assumptions – SERS (continued)

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 2135.

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

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

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal (level percent of payroll)
Actuarial Assumptions:	
Investment rate of return	7.50%, net of investments expense
COLA or Ad Hoc COLA	2.50%, on or after April, 1 2018, COLA's for future retirees will be delayed for three years following commencement.
Future salary increases, including inflation	3.50% to 18.20%
Inflation	3.00%

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

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.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US equity	22.50	4.75
International equity	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	100.00%	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 12,571,477	$ 8,970,929	$ 5,951,417

Note 13: Pension Plans (continued)

F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increase	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0.00% effective July 1, 2017

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 rate between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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:

Asset Class	Target Allocation**	Long-Term Expected Real Rate of Return*
Domestic equity	28.00%	7.35%
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00%	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25%, and does not include 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.

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

Note 13: Pension Plans (continued)

F. Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes 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 plan members 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 45,304,850	$ 31,001,234	$ 18,892,490

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. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Note 14: Defined Benefit OPEB Plans (continued)

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

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 fiscal year ended June 30, 2020, 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 fiscal year ended June 30, 2020, this amount was $19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was $89,403.

The District's contractually required contribution to SERS for health care was $89,403 for fiscal year 2020. Of this amount $89,403 is reported as an intergovernmental payable.

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. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of net OPEB liability/asset prior measurement date	0.147163%	0.135702%	
Proportion of net OPEB liability/asset current measurement date	0.153846%	0.140186%	
Change in proportionate share	0.006683%	0.004484%	
Proportionate share of the net OPEB liability	$ 3,868,914	$ -	$ 3,868,914
Proportionate share of the net OPEB asset	$ -	$ 2,321,813	$ 2,321,813
OPEB expense (reduction of expense)	$ 129,343	$ (722,371)	$ (593,028)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 56,792	$ 210,489	$ 267,281
Change in assumptions	282,580	48,804	331,384
Difference between projected and actual earnings on plan investments	9,287	-	9,287
Changes in proportionate share and difference between District contributions and proportionate share of contributions	200,987	25,831	226,818
District contributions subsequent to the measurement date	89,403	-	89,403
Total deferred outflows of resources	$ 639,049	$ 285,124	$ 924,173

Note 14: Defined Benefit OPEB Plans (continued)

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

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 849,974	$ 118,125	$ 968,099
Change in assumptions	216,802	2,545,595	2,762,397
Difference between projected and actual earnings on plan investments	-	145,827	145,827
Changes in proportionate share and difference between District contributions and proportionate share of contributions	25,666	56,409	82,075
Total deferred inflows of resources	$ 1,092,442	$ 2,865,956	$ 3,958,398

The $89,403 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	$ (209,523)	$ (565,762)	$ (775,285)
2022	(75,969)	(565,763)	(641,732)
2023	(73,243)	(507,318)	(580,561)
2024	(73,686)	(486,819)	(560,505)
2025	(75,030)	(466,156)	(541,186)
Thereafter	(35,345)	10,986	(24,359)
Total	$ (542,796)	$ (2,580,832)	$ (3,123,628)

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.

Note 14: Defined Benefit OPEB Plans (continued)

D. Actuarial Assumptions – SERS (continued)

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, 2019, are presented below:

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

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

Note 14: Defined Benefit OPEB Plans (continued)

D. Actuarial Assumptions – SERS (continued)

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

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US equity	22.50	4.75
International equity	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	100.00%	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the system at the state statute contribution rate of 1.50% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2029 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Note 14: Defined Benefit OPEB Plans (continued)

D. Actuarial Assumptions – SERS (continued)

Sensitivity of the School 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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
District's proportionate share of the net OPEB liability	$ 4,696,127	$ 3,868,914	$ 3,211,182

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 3,099,783	$ 3,868,914	$ 4,889,363

E. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019 actuarial valuation are presented below:

Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%

Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.93%	4.00%
Prescription drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

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

Note 14: Defined Benefit OPEB Plans (continued)

E. Actuarial Assumptions – STRS (continued)

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

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

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

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return*
Domestic equity	28.00%	7.35%
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00%	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25%, and does not include 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.

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

Discount Rate The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS 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 plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB liability as of June 30, 2019.

Note 14: Defined Benefit OPEB Plans (continued)

E. Actuarial Assumptions – STRS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	$ 1,981,204	$ 2,321,813	$ 2,608,184

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	$ 2,632,828	$ 2,321,813	$ 1,940,893

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

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. Classified employees accumulate vacation based on the following factors:

Length of Service	Vacation Leave
After 1 Year	2 Weeks
After 5 Years	3 Weeks
After 10 Years	4 Weeks

Note 15: Employee Benefits (continued)

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.

Note 16: Interfund Transactions

A. Interfund balances

Interfund balances consisted of the following at June 30, 2020, as reported on the fund statements:

Receivable Fund	Payable Fund	Amount
General Fund	Non-major governmental funds	$ 2,044,626

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.

B. Interfund transfers

As of December 31, 2020, interfund transfers were as follows:

	Transfer From			
Transfer to:	General Fund	Non-major Governmental Funds	Internal Service Funds	Total
General Fund	$ -	$ 188	$ 300,000	$ 300,188
Non-major governmental funds	184,185	-	-	184,185
Total	$ 184,185	$ 188	$ 300,000	$ 484,373

Note 16: Interfund Transactions (continued)

B. Interfund transfers (continued)

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 non-major governmental funds were made to provide resources for current operations. The transfer from non-major governmental funds to the General Fund related to program close outs. Transfers from the internal service funds to the General Fund and non-major governmental funds was due to overfunding. 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, 2020.

B. Litigation

The District is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

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.

Note 18: Set-Aside Requirements (continued)

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.

	Capital Improvements
Set-aside reserve balance as of June 30, 2019	$ -
Current year set-aside requirements	606,713
Qualifying disbursements	(1,592,660)
Total set-aside reserve balance as of June 30, 2020	$ (985,947)

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.

Note 19: Other Significant Commitments

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

	Encumbrances
General Fund	$ 265,265
Permanent Improvement Fund	219,137
Nonmajor Funds	315,727
Total other significant commitments	$ 800,129

Note 20: Tax Abatements

Under agreements entered into by the City of Ashtabula and the Saybrook Township, property tax revenues were reduced by $79,774 and $4,119, respectively.

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 Seven Fiscal Years (1)

	2020 (1)	2019 (1)	2018 (1)	2017 (1)
District's proportion of the net pension liability	0.149936%	0.144482%	0.143723%	0.147634%
District's proportionate share of the net pension liability	$ 8,970,929	$ 8,274,757	$ 8,587,102	$ 10,805,447
District's covered payroll	$ 5,143,657	$ 4,774,111	$ 4,694,671	$ 5,034,179
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.41%	173.33%	182.91%	214.64%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

	2016 (1)	2015 (1)	2014 (1)
District's proportion of the net pension liability	0.145087%	0.142638%	0.142638%
District's proportionate share of the net pension liability	$ 8,278,822	$ 7,218,828	$ 8,482,224
District's covered payroll	$ 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	210.02%	157.17%	183.14%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 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 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 Seven Fiscal Years (1)

	2020 (1)	2019 (1)	2018 (1)	2017 (1)
District's proportion of the net pension liability	0.140186%	0.135702%	0.136526%	0.137571%
District's proportionate share of the net pension liability	$ 31,001,234	$ 29,837,817	$ 32,431,978	$ 46,049,177
District's covered payroll	$ 16,600,264	$ 15,592,543	$ 15,108,414	$ 14,564,893
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.75%	191.36%	214.66%	316.17%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.30%	75.30%	66.80%

	2016 (1)	2015 (1)	2014 (1)
District's proportion of the net pension liability	0.134112%	0.135699%	0.135699%
District's proportionate share of the net pension liability	$ 37,064,601	$ 33,006,671	$ 39,317,331
District's covered payroll	$ 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	272.96%	244.99%	270.80%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 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 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

	2020	2019	2018	2017	2016
Contractually-required contribution	$ 769,196	$ 694,394	$ 644,505	$ 657,254	$ 704,785
Contributions in relation to the contractually-required contribution	(769,196)	(694,394)	(644,505)	(657,254)	(704,785)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 5,494,257	$ 5,143,657	$ 4,774,111	$ 4,694,671	$ 5,034,179
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%	14.00%

	2015	2014	2013	2012	2011
Contractually-required contribution	$ 519,546	$ 636,579	$ 641,008	$ 646,700	$ 638,548
Contributions in relation to the contractually-required contribution	(519,546)	(636,579)	(641,008)	(646,700)	(638,548)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 3,941,929	$ 4,592,921	$ 4,631,561	$ 4,808,178	$ 5,079,936
Contributions as a percentage of covered payroll	13.18%	13.86%	13.84%	13.45%	12.57%

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

	2020	2019	2018	2017	2016
Contractually-required contribution	$ 2,377,312	$ 2,324,037	$ 2,182,956	$ 2,115,178	$ 2,039,085
Contributions in relation to the contractually-required contribution	(2,377,312)	(2,324,037)	(2,182,956)	(2,115,178)	(2,039,085)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 16,980,800	$ 16,600,264	$ 15,592,543	$ 15,108,414	$ 14,564,893
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

	2015	2014	2013	2012	2011
Contractually-required contribution	$ 1,900,997	$ 1,751,479	$ 1,887,488	$ 2,072,864	$ 2,291,453
Contributions in relation to the contractually-required contribution	(1,900,997)	(1,751,479)	(1,887,488)	(2,072,864)	(2,291,453)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 13,578,550	$ 13,472,914	$ 14,519,138	$ 15,945,108	$ 17,626,562
Contributions as a percentage of covered payroll	14.00%	13.00%	13.00%	13.00%	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 Four Fiscal Years (1)

	2020	2019	2018	2017
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.

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 Asset/Liability
State Teachers Retirement System of Ohio

For the Last Four Fiscal Years (1)

	2020	2019	2018	2017
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.

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

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

	2020	2019	2018	2017	2016
Contractually required contribution (1)	$ 89,403	$ 120,519	$ 105,977	$ 79,031	$ 75,937
Contributions in relation to the contractually required contribution	(89,403)	(120,519)	(105,977)	(79,031)	(75,937)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	5,494,257	$ 5,143,657	$ 4,774,111	$ 4,694,671	$ 5,034,179
Contributions as a percentage of covered payroll	1.63%	2.34%	2.22%	1.68%	1.51%

	2015	2014	2013	2012	2011
Contractually required contribution (1)	$ 113,594	$ 84,998	$ 84,308	$ 124,148	$ 221,581
Contributions in relation to the contractually required contribution	(113,594)	(84,998)	(84,308)	(124,148)	(221,581)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 3,941,929	$ 4,592,921	$ 4,631,561	$ 4,808,178	$ 5,079,936
Contributions as a percentage of covered payroll	2.88%	1.85%	1.82%	2.58%	4.36%

(1) Includes surcharge

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

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

	2020	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 16,980,800	$ 16,600,264	$ 15,592,543	$ 15,108,414	$ 14,564,893
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

	2015	2014	2013	2012	2011
Contractually required contribution	$ -	$ 134,729	$ 145,191	$ 159,451	$ 176,266
Contributions in relation to the contractually required contribution	-	(134,729)	(145,191)	(159,451)	(176,266)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District covered payroll	$ 13,578,550	$ 13,472,914	$ 14,519,138	$ 15,945,108	$ 17,626,562
Contributions as a percentage of covered payroll	0.00%	1.00%	1.00%	1.00%	1.00%

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

Note 1: Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2019, an assumption of 2.5% was used for COLA or Ad Hoc Cola. Prior to 2019, an assumption of 3.0% was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
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 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 2019, 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 compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2019	Fiscal Year 2017 and Prior
Inflation	2.50%	2.75%
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.

Note 1: Net Pension Liability (continued)

Changes in Assumptions – STRS (continued)

Beginning in fiscal year 2019 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

Changes in Assumptions – SERS

Amounts reported for fiscal year 2020 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:
Fiscal year 2020 3.56%
Fiscal year 2019 3.62%
Fiscal year 2018 3.56%
Fiscal year 2017 2.92%

Single Equivalent Interest Rate, net of plan investment expense, including price inflation
Fiscal year 2020 3.63%
Fiscal year 2019 3.70%
Fiscal year 2018 3.63%
Fiscal year 2017 2.98%

Beginning in fiscal year 2020 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 2019 the healthcare cost trend rate was updated from 7.5% decreasing to 5.0% to 7.25% decreasing to 4.75%.

Note 2: Net OPEB Liability (continued)

Changes in Assumptions – STRS

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.

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 Changes – STRS

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, 2020

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	2020	$340,002
COVID - 19 School Breakfast Program	10.553	2020	308,293
National School Lunch Program	10.555	2020	906,152
COVID - 19 National School Lunch Program	10.555	2020	523,193
Non-Cash Food Commodities	10.555	2020	125,004
Total Child Nutrition Cluster			**2,202,644**
Total U.S. Department of Agriculture			**2,202,644**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education:			
Title I - Grants to Local Educational Agencies	84.010	2019	320,627
		2020	2,107,917
Subtotal Title I - Grants to Local Educational Agencies			**2,428,544**
Special Education Cluster:			
IDEA-B - Special Education Grants to State	84.027	2019	143,596
		2020	1,036,979
Subtotal - Special Education Grant			1,180,575
Special Education - Preschool Grant	84.173	2020	25,143
Subtotal - Special Education Cluster			**1,205,718**
Title VI-B - Rural Education	84.358	2019	2,031
		2020	189,149
Subtotal - Title VI-B - Rural Education			**191,180**
Title III - English Language Acquisition	84.365	2020	**43,077**
Title II - A Improving Teacher Quality State Grants	84.367	2019	44,506
		2020	226,100
Subtotal - Title II - A Improving Teacher Quality State Grants			**270,606**
Student Support	84.424	2020	**15,537**
COVID - 19 - Elementary and Secondary School Emergency Relief Fund (ESSER)	84.425D	2020	**1,332,052**
Total - U.S. Department of Education			**5,486,714**
Total Expenditures of Federal Awards			**$7,689,358**

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, 2020

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, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, 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.

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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 auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District, Ashtabula County, (the District) as of and for the year ended June 30, 2020, 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 8, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2021

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

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2021

ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020

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):**	Title I CFDA #84.010 ESSER CFDA #84.425D
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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 3/30/2021

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