



OHIO AUDITOR OF STATE
KEITH FABER



**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2021**

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ASHTABULA COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Conneaut Area City School District
Ashtabula County
230 Gateway Avenue, Suite B
Conneaut, Ohio 44030

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Conneaut Area City School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2021, 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, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 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 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, and 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 August 22, 2022, 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

August 22, 2022

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Conneaut Area City School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The discussion and analysis of the Conneaut 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, 2021. 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 basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- In total, net position decreased \$638,443 from fiscal year 2020, due to increases in the net pension and OPEB liability. The effects of GASB 68 and 75 distort the comparative analysis to follow in this MD&A due to the significant reduction to total expenses on a full accrual basis.
- The general fund and bond retirement fund are the only funds reported as major.
- During fiscal year 2021, the District paid down outstanding debt obligations by \$561,245 and tax anticipation notes by \$40,000.
- The District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the District.
- The District's net pension liability increased to \$20,565,960 from \$18,601,544 and the OPEB liability (net of \$1,154,739 asset) decreased to \$386,267, from \$666,823, a combined increase of \$1,683,860. For more information on this liability see Notes 12 and 13 to the basic financial statements.

Using these Basic Financial Statements

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

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

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 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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These two statements report the District's *net position* and changes in that 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 performance, demographic and socioeconomic factors and willingness of the community to support the District.

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 and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Conneaut Area City School District
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The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2021 compared to June 30, 2020.

Net Position (Table 1) - Governmental Activities

	2021	(Restated) 2020	Increase (Decrease)
Assets			
Current and Other Assets	\$17,371,865	\$15,164,040	\$2,207,825
Capital Assets, Net	25,662,450	27,424,116	(1,761,666)
<i>Total Assets</i>	<u>43,034,315</u>	<u>42,588,156</u>	<u>446,159</u>
Deferred Outflows of Resources			
Pension	3,669,116	3,793,584	(124,468)
OPEB	509,098	313,956	195,142
<i>Total Deferred Outflows of Resources</i>	<u>4,178,214</u>	<u>4,107,540</u>	<u>70,674</u>
Liabilities			
Current Liabilities	2,386,164	2,021,092	365,072
Long-Term Liabilities			
Due within One Year	697,669	663,240	34,429
Due in More than One Year:			
Net Pension Liability	20,565,960	18,601,544	1,964,416
Net OPEB Liability	1,541,006	1,753,751	(212,745)
Other Amounts	2,521,157	3,265,306	(744,149)
<i>Total Liabilities</i>	<u>27,711,956</u>	<u>26,304,933</u>	<u>1,407,023</u>
Deferred Inflows of Resources			
Property Taxes	4,886,154	4,446,460	439,694
Pension	697,592	1,807,193	(1,109,601)
OPEB	2,412,285	2,131,805	280,480
<i>Total Deferred Inflows of Resources</i>	<u>7,996,031</u>	<u>8,385,458</u>	<u>(389,427)</u>
Net Position			
Net Investment in Capital Assets	23,663,695	24,864,116	(1,200,421)
Restricted	3,606,287	2,735,329	870,958
Unrestricted (Deficit)	(15,765,440)	(15,456,460)	(308,980)
<i>Total Net Position</i>	<u>\$11,504,542</u>	<u>\$12,142,985</u>	<u>(\$638,443)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2021 and is reported pursuant to GASB Statement 68. The School District also adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School 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 the net OPEB asset, and deferred outflows related to pension and OPEB.

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

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Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2021, the District's net position was \$11,504,542, a decrease of \$638,443 from the prior fiscal year. The overall decrease in net position is due to an increase in the net pension liability.

In order to further understand what makes up the changes in net position for the current year, the following table gives further details regarding the results of activities for fiscal year 2021 and 2020.

Table 2
Change in Net Position

	2021	(Restated) 2020	Increase (Decrease)
Program Revenues			
Charges for Services and Sales	\$827,315	\$581,794	\$245,521
Operating Grants and Contributions	3,686,888	2,675,833	1,011,055
Capital Grants and Contributions	64,522	395,972	(331,450)
<i>Total Program Revenues</i>	<u>4,578,725</u>	<u>3,653,599</u>	<u>925,126</u>
General Revenues			
Property Taxes	5,655,321	6,350,503	(695,182)
Intergovernmental	12,278,847	12,071,409	207,438
Investment Earnings	13,441	124,625	(111,184)
Miscellaneous	43,976	129,838	(85,862)
<i>Total General Revenues</i>	<u>17,991,585</u>	<u>18,676,375</u>	<u>(684,790)</u>
<i>Total Revenues</i>	<u>\$22,570,310</u>	<u>\$22,329,974</u>	<u>\$240,336</u>
Program Expenses			
Current:			
Instruction	15,156,920	13,947,959	1,208,961
Support Services	6,967,570	6,805,555	162,015
Operation of Non-Instructional/Food Services	582,418	658,787	(76,369)
Extracurricular Activities	478,244	411,591	66,653
Interest and Fiscal Charges	23,601	64,372	(40,771)
<i>Total Program Expenses</i>	<u>23,208,753</u>	<u>21,888,264</u>	<u>1,320,489</u>
<i>Change in Net Position</i>	<u>(638,443)</u>	<u>441,710</u>	<u>(1,080,153)</u>
Net Position Beginning of Year	<u>12,142,985</u>	<u>11,701,275</u>	<u>441,710</u>
<i>Net Position End of Year</i>	<u>\$11,504,542</u>	<u>\$12,142,985</u>	<u>(\$638,443)</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised

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and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00 and the District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus the District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes made up 25 percent of revenues for governmental activities for Conneaut Area City School District in fiscal year 2021 versus 28 percent in fiscal year 2020 and 27 percent in fiscal year 2019. Calendar year 2014 was a reappraisal year for the District and historically the District could count on a 20 percent increase in assessed valuations. Due to the current housing market only a 3.6 percent increase in assessed valuations was realized with this appraisal. Calendar year 2011 was an update year so assessed values were reevaluated once again. The District has not gone to the community for a continuing operating levy since 1991. The District successfully passed a 5 year, 6.9 mill emergency levy in November 2000. Since the expiration of the emergency levy, the District has prudently managed expenses within revenues over the recent fifteen years. In May 2017, the District successfully appealed to the community for a five-year, 5.0 mill emergency levy that will yield \$1,029,652 in tax collections for years 2018 thru 2022.

Although the District relies upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset operating costs. Overall expenses increased due mostly to the change in pension and OPEB assumptions. The District continues to make every effort to control costs without affecting the education of its students.

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 2021 compared to 2020.

Table 3 - Total and Net Cost of Program Services

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$15,156,920	\$11,985,810	\$13,947,959	\$12,140,815
Support Services:				
Pupils and Instructional Staff	1,461,878	1,349,691	1,438,728	785,946
Board of Education, Administration and Fiscal	2,390,629	2,223,268	2,353,917	2,275,182
Operation and Maintenance of Plant	2,045,983	1,970,556	1,856,018	1,856,018
Pupil Transportation	1,005,482	925,462	816,056	809,104
Central	63,598	(2,999)	340,836	340,836
Operation of Non-				
Instructional/Food Services	582,418	549,651	658,787	33,980
Extracurricular Activities	478,244	(391,816)	411,591	(71,588)
Interest and Fiscal Charges	23,601	20,405	64,372	64,372
<i>Total Expenses</i>	<u>\$23,208,753</u>	<u>\$18,630,028</u>	<u>\$21,888,264</u>	<u>\$18,234,665</u>

Conneaut Area City School District
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The District's Funds

Information about the District's major funds starts on the balance sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,610,143 and expenditures of \$21,372,598, excluding other financing sources and uses. The District's funds reported a combined fund balance of \$8,529,952, which is 17 percent higher than last year's restated total of \$7,292,407. The increase in revenue was the main factor in the overall increase in fund balances of the District this fiscal year.

General Fund The general fund balance increased \$1,047,639 during fiscal year 2021, an increase of 23 percent from the previous fiscal year, in large part due to the overall revenues exceeding expenses by \$1,092,639.

General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially, the budget is the District's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Ohio Revised Code.

During fiscal year 2021, the District amended its general fund revenue budget as needed. Actual revenues excluding other financing sources, were \$311,687 more than the original certification, due to a conservative approach to budgeting.

Actual expenditures, excluding other financing uses, were \$3,120,275 less than final appropriations due mainly to a conservative budgeting approach and the diligence of management to keep costs low while still providing the services the School District citizens expect. The District uses a site based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Long-Term Obligations

Capital Assets Table 4 shows fiscal year 2021 balances compared to fiscal year 2020:

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

	<u>2021</u>	<u>2020</u>
Land	\$1,020,916	\$1,020,916
Land Improvements	1,162,140	1,324,616
Buildings and Improvements	22,265,716	23,604,430
Furniture, Equipment and Fixtures	796,907	997,995
Vehicles	<u>416,771</u>	<u>476,159</u>
Total	<u>\$25,662,450</u>	<u>\$27,424,116</u>

The overall decrease in capital assets of \$1,761,666 is due to current year depreciation of \$1,870,202 exceeding capital outlays of \$108,536.

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Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2021, this set aside amounted to \$288,644. See Note 11 to the basic financial statements for additional information on the District capital assets and Note 19 for additional information regarding required set-asides.

Long-Term Obligations

Table 5 summarizes the District's outstanding debt for fiscal year 2021 compared to fiscal year 2020:

(Table 5)
Outstanding Long-Term Obligations

	2021	2020	Change
Classroom Facilities Improvement Refunding Bonds-2017	\$1,250,000	\$1,655,000	\$405,000
School Improvement Bonds - 2018	173,755	215,000	41,245
Energy Conservation Term Bonds	575,000	690,000	115,000
Compensated Absences	1,220,071	1,368,546	148,475
Net Pension Liability	20,565,960	18,601,544	(1,964,416)
Net OPEB Liability	1,541,006	1,753,751	212,745
Totals	\$25,325,792	\$24,283,841	(\$1,041,951)

2010 Classroom Facilities Improvement Refunding general obligation bonds were retired by the issuance of 2017 Classroom Facilities Improvement Refunding bonds during fiscal year 2018.

Additional information concerning debt issuances can be found in note 15 to the basic financial statements.

Challenges and Opportunities

Conneaut Area City School District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. In the past, national events have had an adverse impact on the District and the surrounding area are very much under consideration year to year. Historically, economic recession has had a major impact on our industries. We have limited local industry, but we are a diversified community with many residents working outside our District in varying types of employment.

The District is not without its share of challenges. The need for additional funds for operations is seen as the newest challenge for the District the last couple fiscal years. The passage of a five (5) year Emergency Levy in May of 2017 demonstrates community support but the District continues to consider the value that each expenditure will provide. Another example is seen in low interest rates being very good for issuing debt, but not attractive for maintaining investment revenues. This is evident from the very small amount of interest revenue during fiscal year 2021. And finally, actions of local and state governments continue to impact the District. Like many school districts in the State of Ohio, the District remains vigilant to financially meet the academic needs of all of the students as well as remain cost efficient in its operations.

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As a result of the challenges mentioned, it is imperative the District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years. All of the District's financial abilities will be needed to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Jackie Miranda, Treasurer/CFO, at Conneaut Area City School District, 230 Gateway Avenue, Suite B, Conneaut, Ohio 44030 or email at JMiranda@cacsk12.org.

Conneaut Area City School District

Ashtabula County, Ohio

*Statement of Net Position
June 30, 2021*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,806,588
Accounts Receivable	1,505
Intergovernmental Receivable	6,885
Property Taxes Receivable	6,370,467
Materials and Supplies Inventory	31,681
Net Other Postemployment Benefits Asset	1,154,739
Nondepreciable Capital Assets	1,020,916
Depreciable Capital Assets, Net	24,641,534
<i>Total Assets</i>	<u>43,034,315</u>
Deferred Outflows of Resources	
Pension	3,669,116
Other Postemployment Benefits	509,098
<i>Total Deferred Outflows of Resources</i>	<u>4,178,214</u>
Liabilities	
Accounts Payable	281,108
Accrued Wages and Benefits Payable	1,575,434
Intergovernmental Payable	495,402
Matured Compensated Absences Payable	29,224
Accrued Interest Payable	4,996
Long-Term Liabilities:	
Due Within One Year	697,669
Due In More Than One Year:	
Net Pension Liability	20,565,960
Other Postemployment Benefits Liability	1,541,006
Other Amounts Due in More than One Year	2,521,157
<i>Total Liabilities</i>	<u>27,711,956</u>
Deferred Inflows of Resources	
Property Taxes	4,886,154
Pension	697,592
Other Postemployment Benefits	2,412,285
<i>Total Deferred Inflows of Resources</i>	<u>7,996,031</u>
Net Position	
Net Investment in Capital Assets	23,663,695
Restricted for:	
Capital Projects	563,336
Debt Service	825,768
Other Purposes	2,217,183
Unrestricted (Deficit)	(15,765,440)
<i>Total Net Position</i>	<u>\$11,504,542</u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Current:					
Instruction:					
Regular	\$9,992,577	\$371,841	\$1,225,535	\$0	(\$8,395,201)
Special	3,517,515	407,822	1,100,939	0	(2,008,754)
Vocational	106,928	0	3,772	0	(103,156)
Other	1,539,900	0	61,201	0	(1,478,699)
Support Services:					
Pupils	1,292,371	0	70,649	0	(1,221,722)
Instructional Staff	169,507	0	41,538	0	(127,969)
Board of Education	19,767	0	0	0	(19,767)
Administration	1,825,237	0	146,621	0	(1,678,616)
Fiscal	545,625	0	20,740	0	(524,885)
Operation and Maintenance of Plant	2,045,983	0	75,427	0	(1,970,556)
Pupil Transportation	1,005,482	0	80,020	0	(925,462)
Central	63,598	0	66,597	0	2,999
Operation of Non-Instructional Services	582,418	11,139	21,628	0	(549,651)
Extracurricular Activities	478,244	36,513	769,025	64,522	391,816
Interest and Fiscal Charges	23,601	0	3,196	0	(20,405)
<i>Total Governmental Activities</i>	<u>\$23,208,753</u>	<u>\$827,315</u>	<u>\$3,686,888</u>	<u>\$64,522</u>	<u>(18,630,028)</u>
General Revenues					
Property Taxes Levied for:					
					5,186,936
					185,523
					212,146
					70,716
Grants and Entitlements not					
					12,278,847
					13,441
					43,976
					<u>17,991,585</u>
					(638,443)
					<i>Net Position Beginning</i>
					<i>of Year - Restated (See Note 3)</i>
					12,142,985
					<u><u>\$11,504,542</u></u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Balance Sheet
Governmental Funds
June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,953,724	\$3,568,047	\$9,521,771
Restricted Assets:			
Cash and Cash Equivalents	0	284,817	284,817
Accounts Receivable	1,505	0	1,505
Interfund Receivable	687,309	0	687,309
Intergovernmental Receivable	6,885	0	6,885
Property Taxes Receivable	5,824,256	546,211	6,370,467
Materials and Supplies Inventory	31,681	0	31,681
<i>Total Assets</i>	<u>\$12,505,360</u>	<u>\$4,399,075</u>	<u>\$16,904,435</u>
Liabilities			
Accounts Payable	\$112,190	\$168,918	\$281,108
Accrued Wages and Benefits Payable	1,404,689	170,745	1,575,434
Intergovernmental Payable	444,191	51,211	495,402
Matured Compensated Absences Payable	29,224	0	29,224
Interfund Payable	0	687,309	687,309
<i>Total Liabilities</i>	<u>1,990,294</u>	<u>1,078,183</u>	<u>3,068,477</u>
Deferred Inflows of Resources			
Property Taxes	4,469,228	416,926	4,886,154
Unavailable Revenue - Property Taxes	383,077	36,775	419,852
<i>Total Deferred Inflows of Resources</i>	<u>4,852,305</u>	<u>453,701</u>	<u>5,306,006</u>
Fund Balances			
Nonspendable	31,681	0	31,681
Restricted	0	3,688,372	3,688,372
Committed	91,236	0	91,236
Assigned	202,149	0	202,149
Unassigned (Deficit)	5,337,695	(821,181)	4,516,514
<i>Total Fund Balances</i>	<u>5,662,761</u>	<u>2,867,191</u>	<u>8,529,952</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$12,505,360</u>	<u>\$4,399,075</u>	<u>\$16,904,435</u>

See accompanying notes to the basic financial statements

Conneaut Area City School District

Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2021*

Total Governmental Fund Balances		\$8,529,952
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,662,450
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes		419,852
The net pension and OPEB liabilities (asset) are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	1,154,739	
Deferred Outflows - Pension	3,669,116	
Deferred Inflows - Pension	(697,592)	
Net Pension Liability	(20,565,960)	
Deferred Outflows - OPEB	509,098	
Deferred Inflows - OPEB	(2,412,285)	
Net OPEB Liability	<u>(1,541,006)</u>	
Total		(19,883,890)
In the statement of activities, interest is accrued on outstanding general obligation bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(4,996)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(1,423,755)	
Energy Conservation Bond	(575,000)	
Compensated Absences	<u>(1,220,071)</u>	
Total		<u>(3,218,826)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$11,504,542</u></u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$5,191,461	\$469,056	\$5,660,517
Tuition and Fees	782,835	0	782,835
Interest	12,941	500	13,441
Charges for Services	0	11,139	11,139
Extracurricular Activities	0	33,341	33,341
Contributions and Donations	1,271	62,555	63,826
Intergovernmental	12,154,329	3,846,739	16,001,068
Miscellaneous	43,433	543	43,976
<i>Total Revenues</i>	<u>18,186,270</u>	<u>4,423,873</u>	<u>22,610,143</u>
Expenditures			
Current:			
Instruction:			
Regular	6,810,644	1,247,093	8,057,737
Special	2,136,630	1,260,531	3,397,161
Vocational	99,027	0	99,027
Other	1,536,700	3,200	1,539,900
Support Services:			
Pupils	1,232,256	35,084	1,267,340
Instructional Staff	55,085	70,903	125,988
Board of Education	19,767	0	19,767
Administration	1,646,120	97,103	1,743,223
Fiscal	507,552	36,920	544,472
Operation and Maintenance of Plant	1,792,742	187,341	1,980,083
Pupil Transportation	789,872	132,176	922,048
Central	48,773	0	48,773
Operation of Non-Instructional/Food Services	0	567,812	567,812
Extracurricular Activities	315,918	108,119	424,037
Capital Outlay	0	50,528	50,528
Debt Service:			
Principal Retirement	115,000	446,245	561,245
Interest and Fiscal Charges	(12,455)	35,912	23,457
<i>Total Expenditures</i>	<u>17,093,631</u>	<u>4,278,967</u>	<u>21,372,598</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,092,639</u>	<u>144,906</u>	<u>1,237,545</u>
Other Financing Sources (Uses)			
Transfers In	0	45,000	45,000
Transfers Out	(45,000)	0	(45,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(45,000)</u>	<u>45,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,047,639	189,906	1,237,545
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	4,615,122	2,677,285	7,292,407
<i>Fund Balance End of Year</i>	<u>\$5,662,761</u>	<u>\$2,867,191</u>	<u>\$8,529,952</u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2021*

Net Change in Fund Balances - Total Governmental Funds \$1,237,545

***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 depreciation exceeded capital outlay in the current period.

Capital Outlay	108,536
Current Year Depreciation	(1,870,202)

Total (1,761,666)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(5,196)
Intergovernmental Grants	(34,637)

Total (39,833)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.

561,245

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.

Accrued Interest on Bonds & Loans	(144)
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	1,402,400
OPEB	45,713

Total 1,448,113

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities.

Pension	(2,381,686)
OPEB	149,508

Total (2,232,178)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

148,475

Change in Net Position of Governmental Activities **(\$638,443)**

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,338,509	\$5,338,509	\$5,491,741	\$153,232
Tuition and Fees	524,957	524,997	781,937	256,940
Interest	25,000	25,000	12,941	(12,059)
Intergovernmental	12,204,669	12,204,669	12,150,090	(54,579)
Miscellaneous	50,000	50,000	18,153	(31,847)
<i>Total Revenues</i>	<u>18,143,135</u>	<u>18,143,175</u>	<u>18,454,862</u>	<u>311,687</u>
Expenditures				
Current:				
Instruction:				
Regular	8,073,222	8,166,743	6,707,082	1,459,661
Special	2,309,197	2,335,948	2,114,894	221,054
Vocational	158,443	160,278	96,479	63,799
Other	1,382,234	1,398,111	1,548,445	(150,334)
Support Services:				
Pupils	1,336,326	1,351,807	1,234,963	116,844
Instructional Staff	122,975	124,400	63,005	61,395
Board of Education	10,392	10,507	20,452	(9,945)
Administration	1,879,414	1,900,828	1,705,960	194,868
Fiscal	567,927	574,484	504,534	69,950
Operation and Maintenance of Plant	2,135,574	2,159,461	1,805,169	354,292
Pupil Transportation	1,100,249	1,112,862	797,137	315,725
Central	605,445	611,789	117,208	494,581
Extracurricular Activities	190,829	192,829	309,473	(116,644)
Debt Service:				
Principal Retirement	115,000	115,000	115,000	0
Interest and Fiscal Charges	30,884	32,574	(12,455)	45,029
<i>Total Expenditures</i>	<u>20,018,111</u>	<u>20,247,621</u>	<u>17,127,346</u>	<u>3,120,275</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,874,976)</u>	<u>(2,104,446)</u>	<u>1,327,516</u>	<u>3,431,962</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditure	93,482	93,482	19,339	(74,143)
Advances In	606,562	606,562	606,562	0
Advances Out	(242,625)	(242,625)	(684,377)	(441,752)
Transfers Out	(13,522)	(13,522)	(95,000)	(81,478)
<i>Total Other Financing Sources (Uses)</i>	<u>443,897</u>	<u>443,897</u>	<u>(153,476)</u>	<u>(597,373)</u>
<i>Net Change in Fund Balance</i>	(1,431,079)	(1,660,549)	1,174,040	2,834,589
<i>Fund Balance Beginning of Year</i>	4,166,959	4,166,959	4,166,959	0
<i>Prior Year Encumbrances Appropriated</i>	206,565	206,565	206,565	0
<i>Fund Balance End of Year</i>	<u>\$2,942,445</u>	<u>\$2,712,975</u>	<u>\$5,547,564</u>	<u>\$2,834,589</u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 1 – Description of the School District and Reporting Entity

Conneaut Area City School District (the “District”) is organized under Article VI, Section 2 of the Constitution and laws of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and federal guidelines.

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 58 square miles. It is located in Ashtabula County. It is staffed by 83 non-certified employees and 118 certified full-time teaching and administrative personnel who provide services to 1,617 students and other community members. The District currently operates four instructional buildings, a maintenance building, athletic complex and a bus garage.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; 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. The District has no component units.

The District is associated with two jointly governed organizations and a risk sharing pool. These organizations are the Ashtabula County Technical & Career Center, the Northeast Ohio Management Information Network and the Ashtabula County Schools Council of Governments, which are presented in Notes 17 and 18 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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. Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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.

Fund Financial Statements During the year, the School District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

General Fund - The General Fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted, committed or assigned to a particular purpose.

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

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenditures) in total net position.

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

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 and the statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty 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). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding, pension and OPEB reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 12 and 13.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 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 and intergovernmental grants. 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 of statement of net position (see Notes 12 and 13).

Expenses/Expenditures 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 Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 sets limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level for the general fund and at the fund level for all other funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds, except the general fund, without resolution by the Board of Education.

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

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

The appropriation resolution is subject to amendment by the Board throughout the fiscal 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

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

During fiscal year 2021, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School 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 a NAV per share that approximates fair value.

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, 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 fiscal year 2021 amounted to \$12,941 which includes \$5,179 assigned from other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Inventory

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

H. Capital Assets

The School District's only capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is three thousand dollars for the current fiscal year. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 10 years
Buildings and Improvements	20 - 50 years
Furniture, Equipment and Fixtures	8 - 20 years
Vehicles	10 years
Textbooks	6 years

I. Interfund Balances

On the 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 columns of the statement of net position.

J. Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance

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

Nonspendable The nonspendable fund balance 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.

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 District Board of Education.

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

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

N. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

O. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. 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.

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

P. Estimates

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

Note 3 – Change in Accounting Principles & Restatement of Prior Year Fund Balance/Net Position

For fiscal year 2021, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, “Certain Asset Retirement Obligations”, Statement No. 84, “Fiduciary Activities” and related guidance from (GASB) Implementation Guide No. 2019-2, Fiduciary Activities, and Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”.

GASB Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of this Statement had no effect on the beginning fund balance/net position of the School District.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its private purpose trust fund and its agency funds and none of them will be reported in the new fiduciary fund classification of custodial funds and have been reclassified as governmental funds. GASB Statement 84 was incorporated into the School District’s fiscal year 2021 financial statements and had the following effect on the beginning fund balance/net position as presented below.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, aims to improve the information that is disclosed in notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement also requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The implementation of this Statement had no effect on the note disclosure of the School District.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balances as of June 30, 2020:

	General	Nonmajor Governmental	Total
Fund Balances at June 30, 2020	\$4,615,122	\$2,539,605	\$7,154,727
Adjustment due to GASB 84	0	137,680	137,680
<i>Restated Fund Balances</i>			
<i>at June 30, 2020</i>	<u>\$4,615,122</u>	<u>\$2,677,285</u>	<u>\$7,292,407</u>

The implementation of GASB Statement No. 84 had the following effect on governmental and fiduciary net position as of June 30, 2020:

	Governmental Activities	Private Purpose	Agency
Net Position at June 30, 2020	\$12,005,305	\$81,799	\$0
Adjustments:			
GASB Statement 84	137,680	(81,799)	0
Assets	0	0	(56,404)
Liabilities	0	0	56,404
<i>Restated Net Position</i>			
<i>at June 30, 2020</i>	<u>\$12,142,985</u>	<u>\$0</u>	<u>\$0</u>

Note 4 – Fund Deficits

Fund balances at June 30, 2021 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
ESSER	\$305,215
Coronavirus Relief Fund	10,000
IDEA Part B	109,090
Title I Fund	351,120
Early Childhood Special Education	863
Title II-A	16,981
Miscellaneous Federal Grants	27,912

The deficits in the special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 5 – Budgetary Basis of Accounting

While the District is reporting its 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 Basis) 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 (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. *Certain funds have legally separate adopted budgets (budget basis) but are included in the General Fund (GAAP basis).

*As part of Governmental Accounting Standards Board No. 54 “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds and capital projects funds are considered part of the General fund on a GAAP basis. This includes the public-school support and workers’ compensation special revenue funds and the Ohio School Facilities reserve capital projects fund.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	
GAAP Basis	\$1,047,639
Net Adjustment for Revenue Accruals	281,072
Advances In	606,562
Net Adjustment for Expenditure Accruals	176,879
Net Adjustment for Funds Budgeted as Special Revenue	6,859
Advances Out	(684,377)
Adjustment for Encumbrances	(260,594)
Budget Basis	\$1,174,040

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories. Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawals on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local government;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. At June 30th, the carrying amount of all District deposits was \$594,057, while \$559,617 of the District's bank balance of \$809,617 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Eligible securities pledged to the School 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 percent 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 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2021, the District had STAR Ohio as the only investment with an amount of \$9,212,331 and an average maturity less than six months.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, 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 and that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

Credit Risk STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that addresses credit risk.

Concentration of Credit Risk The School District places no limit on the account it may invest in any one issuer. At June 30, 2021, STAR Ohio represented 100 percent of all District investments.

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of June 30, 2021:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$594,057
Investments	9,212,331
Cash on hand	200
Total	<u>\$9,806,588</u>
 <u>Cash and Investments per Statement of Net Position</u>	
Governmental activities	\$9,806,588
Total	<u>\$9,806,588</u>

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar year 2021 represent collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020 and are collected in 2021 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2021 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 – property taxes.

The amount available as an advance at June 30, 2021 was \$971,951 in the general fund, \$36,471 in the bond retirement fund, \$42,029 in the permanent improvement capital projects fund and \$14,010 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2020, was \$1,272,231 in the general fund, \$46,913 in the bond retirement fund, \$55,842 in the permanent improvement capital projects fund and \$18,614 in the classroom facilities maintenance special revenue fund.

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

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$207,168,010	94.8%	\$219,968,780	94.7%
Public Utility Personal	11,415,740	5.2%	12,310,780	5.3%
	<u>\$218,583,750</u>	<u>100.0%</u>	<u>\$232,279,560</u>	<u>100.0%</u>

Tax Rate per \$1,000 of assessed valuation \$44.29 \$44.29

Note 8 – 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	Nonmajor Governmental	Total
<i>Nonspendable</i>			
Inventory	\$31,681	\$0	\$31,681
<i>Restricted for</i>			
Food Service Operations	0	259,039	259,039
College Scholarships	0	143,961	143,961
Technology Improvements	0	5,754	5,754
Classroom Maintenance	0	392,826	392,826
Extracurricular Activities	0	76,159	76,159
Other Grants	0	299,226	299,226
Student Wellness	0	1,148,260	1,148,260
Debt Service Payments	0	815,657	815,657
Capital Improvements	0	547,085	547,085
Other Purposes	0	405	405
<i>Total Restricted</i>	<u>0</u>	<u>3,688,372</u>	<u>3,688,372</u>
<i>Committed to</i>			
Employee Retirements	91,236	0	91,236
<i>Assigned to</i>			
Other Purposes	54,330	0	54,330
Encumbrances	147,819	0	147,819
<i>Total Assigned</i>	<u>202,149</u>	<u>0</u>	<u>202,149</u>
<i>Unassigned (Deficit)</i>	<u>5,337,695</u>	<u>(821,181)</u>	<u>4,516,514</u>
<i>Total Fund Balances</i>	<u>\$5,662,761</u>	<u>\$2,867,191</u>	<u>\$8,529,952</u>

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 9 – Receivables

Receivables at June 30, 2021 consisted of accounts, taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

Intergovernmental receivables at June 30, 2021 included a Medicaid reimbursement in the general fund in the amount of \$6,885.

Note 10 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and the Treasurer earn ten to thirty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified employees is 315 days, and for classified employees it is 320 days. For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay is entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 70 days for classified employees and for certified employees.

Insurance

Life insurance is offered to employees through Minnesota Life Insurance Company. Certified and classified employees are covered for \$40,000 with payments of \$4.20 per month. The superintendent is covered for \$150,000 with payments of \$15.75 per month. The treasurer is covered for \$100,000 with payments of \$10.50 per month.

Health Insurance Benefits

The District provides employee medical and surgical insurance, prescription drug, dental, and vision insurance through the Ashtabula County Schools Council of Governments.

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 11 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Capital Assets, not being depreciated:				
Land	\$1,020,916	\$0	\$0	\$1,020,916
Capital Assets, being depreciated:				
Land Improvements	3,063,697	0	0	3,063,697
Buildings and Improvements	47,640,682	0	0	47,640,682
Furniture, Equipment and Fixtures	3,746,573	22,762	0	3,769,335
Vehicles	2,233,966	85,774	0	2,319,740
Textbooks	1,107,757	0	0	1,107,757
Total Capital Assets, being depreciated	57,792,675	108,536	0	57,901,211
Less Accumulated Depreciation:				
Land Improvements	(1,739,081)	(162,476)	0	(1,901,557)
Building and Improvements	(24,036,252)	(1,338,714)	0	(25,374,966)
Furniture, Equipment and Fixtures	(2,748,578)	(223,850)	0	(2,972,428)
Vehicles	(1,757,807)	(145,162)	0	(1,902,969)
Textbooks	(1,107,757)	0	0	(1,107,757)
Total Accumulated Depreciation	(31,389,475)	(1,870,202) *	0	(33,259,677)
Total Capital Assets being depreciated, net	26,403,200	(1,761,666)	0	24,641,534
Governmental Activities Capital Assets, Net	\$27,424,116	(\$1,761,666)	\$0	\$25,662,450

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,481,118
Special	1,364
Vocational	1,452
Support Services:	
Pupil	1,308
Instructional Staff	84,082
Administration	1,968
Operation and Maintenance of Plant	70,270
Pupil Transportation	144,312
Central	19,221
Operation of Non-Instructional/Food Service:	10,900
Extracurricular Activities	54,207
Total Depreciation Expense	\$1,870,202

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Note 12 – Defined Benefit Pension Plans

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

A. Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. 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 is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB 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 13 for the required OPEB disclosures.

B. School Employees Retirement System

Plan Description - District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. Established in 1937, SERS provides retirement, disability, and survivor benefits to non-teaching employees of Ohio's public K-12 school districts. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues

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a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or Before August 1, 2017*	Eligible to Retire on or After August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$333,484 for fiscal year 2021. Of this amount \$207,744 is reported as an intergovernmental payable.

C. State Teachers Retirement System

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent 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 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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 Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or 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 ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$1,068,916 for fiscal year 2021. Of this amount \$206,612 is reported as an intergovernmental payable.

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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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.06833650%	0.06562625%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.07057590%</u>	<u>0.06570355%</u>	
Change in Proportionate Share	<u>0.00223940%</u>	<u>0.00007730%</u>	
Proportionate Share of the Net Pension Liability	\$4,668,039	\$15,897,921	\$20,565,960
Pension Expense	\$471,488	\$1,910,198	\$2,381,686

At June 30, 2021, 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	\$9,067	\$35,671	\$44,738
Net difference between projected and actual earnings on pension plan investments	296,325	773,119	1,069,444
Change of Assumptions	0	853,413	853,413
Change in Proportionate Share	81,225	217,896	299,121
District contributions subsequent to the measurement date	<u>333,484</u>	<u>1,068,916</u>	<u>1,402,400</u>
Total Deferred Outflows of Resources	<u>\$720,101</u>	<u>\$2,949,015</u>	<u>\$3,669,116</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$101,655	\$101,655
Change in Proportionate Share	<u>21,315</u>	<u>574,622</u>	<u>595,937</u>
Total Deferred Inflows of Resources	<u>\$21,315</u>	<u>\$676,277</u>	<u>\$697,592</u>

\$1,402,400 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$29,452	\$473,663	\$503,115
2023	119,560	(4,214)	115,346
2024	123,514	380,113	503,627
2025	92,776	354,260	447,036
Total	\$365,302	\$1,203,822	\$1,569,124

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
COLA or Ad hoc COLA	2.50 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
Wage Inflation	3.00 Percent

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

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

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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 SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
U.S. Stocks	22.50	5.75
Non-U.S. Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	\$6,394,643	\$4,668,039	\$3,219,385

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.50 Percent
Projected Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Investment Expenses, Including Inflation
Discount Rate of Return	7.45 Percent
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent

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

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of the latest available actuarial experience study which is 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Fixed Income	21.00	3.00
Alternatives	17.00	7.09
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.45 %

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. 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' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's Proportionate Share of the Net Pension Liability	\$22,635,872	\$15,897,921	\$10,188,069

E. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2021, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 13 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

See note 12 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$45,713.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$45,713 for fiscal year 2021, all of which was reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/(Asset), 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, 2020, 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:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.06973750%	0.06562650%	
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	<u>0.07090540%</u>	<u>0.06570355%</u>	
Change in Proportionate Share	<u>0.00116790%</u>	<u>0.00007705%</u>	
Proportionate Share of the Net OPEB Liability (Asset)	\$1,541,006	(\$1,154,739)	\$386,267
OPEB Expense	(\$48,044)	(\$101,464)	(\$149,508)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$20,240	\$73,989	\$94,229
Net difference between projected and actual earnings on OPEB plan investments	17,364	40,469	57,833
Change of Assumptions	262,688	19,062	281,750
Change in Proportionate Share	29,465	108	29,573
District contributions subsequent to the measurement date	<u>45,713</u>	<u>0</u>	<u>45,713</u>
Total Deferred Outflows of Resources	<u>\$375,470</u>	<u>\$133,628</u>	<u>\$509,098</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$783,710	\$230,008	\$1,013,718
Change of Assumptions	38,816	1,096,806	1,135,622
Change in Proportionate Share	<u>129,520</u>	<u>133,425</u>	<u>262,945</u>
Total Deferred Inflows of Resources	<u>\$952,046</u>	<u>\$1,460,239</u>	<u>\$2,412,285</u>

\$45,713 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 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:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	(\$135,798)	(\$330,987)	(\$466,785)
2023	(150,101)	(303,597)	(453,698)
2024	(128,472)	(297,105)	(425,577)
2025	(109,257)	(286,491)	(395,748)
2026	(73,414)	(52,650)	(126,064)
Thereafter	(25,247)	(55,781)	(81,028)
Total	<u>(\$622,289)</u>	<u>(\$1,326,611)</u>	<u>(\$1,948,900)</u>

Actuarial Assumptions - SERS

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

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

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, 2020, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12 for details.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic pension benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (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 as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.0% decreasing to 3.75%) and higher (8.0% decreasing to 5.75%) than the current rate.

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	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
District's proportionate share of the net OPEB liability (asset)	\$1,886,154	\$1,541,006	\$1,266,615
	1% Decrease (6.0 % decreasing to 3.75 %)	Current Trend Rate (7.0% decreasing to 4.75 %)	1% Increase (8.0 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability (asset)	\$1,213,425	\$1,541,006	\$1,979,066

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return - Current Year	7.45 percent
Health Care Cost Trends:	
<i>Medical</i>	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	(6.69) percent initial, 4 percent ultimate
<i>Prescription Drug</i>	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 percent initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, 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 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The

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Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. 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 be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2020.

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, 2020, calculated using the current period discount rate assumption of 7.45 percent, 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 percent) or one percentage point higher (8.45 percent) 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	(\$1,004,698)	(\$1,154,739)	(\$1,282,043)
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	(\$1,274,141)	(\$1,154,739)	(\$1,009,289)

Note 14 – Public Entity Risk Pool

The District has contracted with the Ashtabula County Schools Council of Governments (“the Council”) to provide employee medical/surgical, prescription drug, dental and vision benefits. The Council is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County School districts. Rates are set by the Council’s board of directors. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Council is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the District. The Council shall pay the run out claims for a withdrawing member. Any member which withdraws from the Council pursuant to the Council Agreement shall have no claim to the Council’s assets.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 – Long-Term Obligations

Original issue amounts and interest rates of the District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2017 Classroom Facilities Improvement Refunding Bonds	3.00% to 4.00%	\$ 2,430,000	2023
2018 School Improvement Bonds	4.50%	215,000	2023
Energy Conservation Improvement Bonds	5.15%	1,712,161	2023

A summary of changes in long-term obligations for the year ended June 30, 2021, were as follows:

	Principal Outstanding 6/30/20	Additions	Deductions/ Refunded	Principal Outstanding 6/30/21	Amounts due in One Year
General Obligation Bonds:					
2017 Classroom Facilities Improvement Refunding Bonds	\$1,655,000	\$0	(\$405,000)	\$1,250,000	\$410,000
2018 School Improvement Bonds	215,000	0	(41,245)	173,755	84,945
Energy Conservation Improvement Bonds	690,000	0	(115,000)	575,000	115,000
<i>Total General Obligation Bonds</i>	2,560,000	0	(561,245)	1,998,755	609,945
Other Long-Term Obligations:					
Compensated Absences	1,368,546	26,973	(175,448)	1,220,071	87,724
<i>Total Before Net Pension & OPEB Liability</i>	3,928,546	26,973	(736,693)	3,218,826	697,669
Net Pension Liability:					
STRS	14,512,851	1,385,070	0	15,897,921	0
SERS	4,088,693	579,346	0	4,668,039	0
<i>Total Net Pension Liability</i>	18,601,544	1,964,416	0	20,565,960	0
Net OPEB Liability:					
SERS	1,753,751	0	(212,745)	1,541,006	0
Total Long-Term Obligations	\$24,283,841	\$1,991,389	(\$949,438)	\$25,325,792	\$697,669

On July 20, 2010, the District issued \$4,629,999 in general obligation bonds to refund the classroom facilities improvement bonds in order to take advantage of lower interest rates. The outstanding bond liability was currently refunded in fiscal year 2018.

The bonds were sold at a premium of \$216,279. Proceeds of \$4,741,516 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2021, \$2,060,000 of the defeased bonds are still outstanding.

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On September 6, 2017, the District issued \$2,430,000 in general obligation bonds to refund the 2010 classroom facilities improvement refunding bonds in order to take advantage of lower interest rates. The bonds included term bonds in the amount of \$2,430,000 and were issued for a six year period with a final maturity at December 1, 2023. The outstanding bond liability was retired in full from the debt service fund.

On September 1, 2010, the District issued \$1,712,161 in Energy Conservation Improvement bonds for the installation, modification, and remodeling of school buildings to conserve energy. The bonds are term bonds, have a final maturity date of December 1, 2025 and will be paid from the debt service fund. These bonds were Qualified School Construction Bonds (QSCBs) in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds are Direct Payment QSCBs.

The term bonds are subject to mandatory sinking fund redemption requirements on December 1 in the years and in the principal amounts as follows:

Year	Amount
2022	\$115,000
2023	115,000
2024	115,000
2025	115,000
2026	115,000
	\$575,000

The remaining principal amount of the term bonds (\$575,000) will mature at the stated maturity on December 1, 2025.

Compensated absences will be paid from the general fund and the food service, early childhood education, title VI-B, title I, classroom reduction and miscellaneous federal grants special revenue funds. There is no repayment schedule for the net pension liability and net OPEB liability. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

The District's overall legal debt margin was \$18,489,440 with an unvoted debt margin of \$218,584 at June 30, 2021.

Principal and interest requirements to retire general obligation bonds follow:

Fiscal Year	Classroom Facilities Refunding Bonds - 2017		School Improvement Bonds - 2018		Energy Conservation Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$410,000	\$19,030	\$84,945	\$6,873	\$115,000	\$26,651
2023	415,000	11,810	88,810	3,008	115,000	20,729
2024	425,000	4,038	0	0	115,000	14,807
2025	0	0	0	0	115,000	8,884
2026	0	0	0	0	115,000	2,961
Total	\$1,250,000	\$34,878	\$173,755	\$9,881	\$575,000	\$74,032

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 16 – Note Debt

School Improvement Tax Anticipation Note - Series 2018: During fiscal year 2020, the District issued a tax anticipation note to provide for various improvements to District buildings. The notes were issued on August 7, 2018, matured on December 1, 2020, and have an interest rate of 4.50 percent. A liability for these notes was reflected in the permanent improvement capital projects fund, which received the proceeds.

	Balance at 06/30/20	Increases	Decreases	Balance at 06/30/21
School Improvement Notes - Series 2018	\$40,000	\$0	(\$40,000)	\$0

Note 17 – Risk Management

Property and Liability

The School 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 contracted with Schools of Ohio Risk Sharing Authority for various types of insurance. Coverage is as follows:

Coverage	Amount
Buildings and Business Property (\$2,500 Deductible)	\$95,717,570
Equipment Breakdown (\$2,500 Deductible)	95,717,570
Crime Coverage (\$1,000 Deductible)	100,000
Educator's Legal Liability (\$5,000 Deductible/Per Occurrence)	1,000,000
Automobile Liability (\$0 Deductible, \$1,000,000 limit)	10,000,000
General Liability (\$0 Deductible, \$1,000,000 limit)	10,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

Employee Medical Benefits

The District participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 17) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. Certified employees pay monthly premiums in the amount of \$192 for family and \$74 for single coverage. Classified employees pay monthly premiums of \$87 for family and \$34 for single benefits.

Workers' Compensation

For fiscal year 2021, workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Note 18 – Jointly Governed Organizations

Ashtabula County Technical & Career Center The Ashtabula County Career & Technical 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 one representative from each of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions in fiscal year 2021. Financial information can be obtained from Lindsey Elly, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among various 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 Service Centers. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Note 19 – Set Asides

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvements
Set-Aside Restricted Balance as of June 30, 2020	\$0
Current Year Set-Aside Requirement	288,644
Qualifying Disbursements	0
Current Year Offsets	(399,413)
Total	(\$110,769)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0

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

Note 20 – Contingencies

A. Grants

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

B. Litigation

The District is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2021, which would have a significant effect on the financial statements.

C. School District Foundation

School 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. The final adjustment was not material and is not reflected in the accompanying financial statements.

Note 21 – Tax Abatements

As of June 30, 2021, the District provides tax abatements through an Enterprise Zone (Ezone). This program relates to the abatement of property taxes.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investments. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the City. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of tax abated was not significant for the District.

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Note 22 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans 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 additional recovery from emergency funding, either Federal or State, cannot be estimated.

Note 23 – Subsequent Event

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported revenue and expenditures related to these programs. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each School District. The School District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio (SERS)
Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07057590%	0.06833650%	0.07031120%	0.07657510%	0.07689960%	0.07448520%	0.07333000%	0.07333000%
School District's Proportionate Share of the Net Pension Liability	\$4,668,039	\$4,088,693	\$4,026,853	\$4,575,193	\$5,628,341	\$4,250,198	\$3,711,190	\$4,360,700
School District's Employee Payroll	\$2,474,236	\$2,338,080	\$2,296,193	\$2,533,957	\$2,426,614	\$2,263,407	\$2,113,403	\$2,030,394
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	188.67%	174.87%	175.37%	180.56%	231.94%	187.78%	175.60%	214.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Conneaut Area City School District
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Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio (STRS)
Last Eight Fiscal Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.06570355%	0.06562625%	0.06724958%	0.07253782%	0.06904085%	0.06927763%	0.07015721%	0.07015721%
School District's Proportionate Share of the Net Pension Liability	\$15,897,921	\$14,512,851	\$14,786,673	\$17,231,515	\$23,110,054	\$19,146,311	\$17,064,661	\$20,327,313
School District's Employee Payroll	\$7,929,393	\$7,762,479	\$7,645,143	\$7,974,643	\$7,364,580	\$7,168,129	\$7,323,310	\$7,397,112
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	200.49%	186.96%	193.41%	216.08%	313.80%	267.10%	233.02%	274.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.48%	77.40%	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	2021	2020	2019	2018
Contractually Required Pension Contribution (1)	\$333,484	\$346,393	\$315,641	\$321,467
Pension Contributions in Relation to the Contractually Required Contribution	(\$333,484)	(\$346,393)	(\$315,641)	(\$321,467)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,382,029	\$2,474,236	\$2,338,080	\$2,296,193
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.50%	13.50%

(1) includes surcharge

See accompanying notes to the required supplementary information and amounts presented in Note 12

2017	2016	2015	2014	2013	2012
\$354,754	\$339,726	\$298,317	\$292,918	\$281,007	\$279,485
(\$354,754)	(\$339,726)	(\$298,317)	(\$292,918)	(\$281,007)	(\$279,485)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,533,957	\$2,426,614	\$2,263,407	\$2,113,403	\$2,030,394	\$2,077,955
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

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Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years

	2021	2020	2019	2018
Contractually Required Pension Contribution	\$1,068,916	\$1,110,115	\$1,086,747	\$1,070,320
Pension Contributions in Relation to the Contractually Required Contribution	(\$1,068,916)	(\$1,110,115)	(\$1,086,747)	(\$1,070,320)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$7,635,114	\$7,929,393	\$7,762,479	\$7,645,143
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information and amounts presented in Note 12

2017	2016	2015	2014	2013	2012
\$1,116,450	\$1,031,041	\$1,003,538	\$951,900	\$961,625	\$1,126,970
(\$1,116,450)	(\$1,031,041)	(\$1,003,538)	(\$951,900)	(\$961,625)	(\$1,126,970)
\$0	\$0	\$0	\$0	\$0	\$0
\$7,974,643	\$7,364,580	\$7,168,129	\$7,323,310	\$7,397,112	\$8,669,000
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

Conneaut Area City School District
Ashtabula County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio (SERS)
Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.07090540%	0.06973750%	0.07109970%	0.07757150%	0.07757150%
School District's Proportionate Share of the Net OPEB Liability	\$1,541,006	\$1,753,751	\$1,972,498	\$2,081,815	\$2,211,075
School District's Employee Payroll	\$2,474,236	\$2,338,080	\$2,296,193	\$2,533,957	\$2,426,614
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	62.28%	75.01%	85.90%	82.16%	91.12%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2016 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Conneaut Area City School District
Ashtabula County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio (STRS)
Last Five Fiscal Years (1)

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.06570355%	0.06562650%	0.06724958%	0.07253782%	0.07253782%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,154,739)	(\$1,086,928)	(\$1,080,632)	\$2,830,158	\$3,879,341
School District's Employee Payroll	\$7,929,393	\$7,762,479	\$7,645,143	\$7,974,643	\$7,364,580
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Employee Payroll	-14.56%	-14.00%	-14.13%	35.49%	52.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	182.13%	174.74%	176.00%	47.10%	37.30%

(1) Information prior to 2016 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Conneaut Area City School District
Ashtabula County, Ohio

Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	2021	2020	2019	2018
Contractually Required OPEB Contributions	\$45,713	\$34,526	\$52,878	\$37,385
OPEB Contributions in Relation to the Contractually Required Contribution	(\$45,713)	(\$34,526)	(\$52,878)	(\$37,385)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,382,029	\$2,474,236	\$2,338,080	\$2,296,193
Contributions as a Percentage of Employee Payroll	1.92%	1.40%	2.26%	1.63%

See accompanying notes to the required supplementary information and amounts presented in Note 13

2017	2016	2015	2014	2013	2012
\$41,656	\$38,599	\$61,965	\$39,511	\$34,151	\$59,588
(\$41,656)	(\$38,599)	(\$61,965)	(\$39,511)	(\$34,151)	(\$59,588)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,533,957	\$2,426,614	\$2,263,407	\$2,113,403	\$2,030,394	\$2,077,955
1.64%	1.59%	2.74%	1.87%	1.68%	2.87%

Conneaut Area City School District
Ashtabula County, Ohio

Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required OPEB Contributions	\$0	\$0	\$0	\$0
OPEB Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0	\$0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$7,635,114	\$7,929,393	\$7,762,479	\$7,645,143
Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information and amounts presented in Note 13

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$0	\$0	\$0	\$73,233	\$73,971	\$86,690
\$0	\$0	\$0	(\$73,233)	(\$73,971)	(\$86,690)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,974,643	\$7,364,580	\$7,168,129	\$7,323,310	\$7,397,112	\$8,669,000
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

Conneaut Area City School District
Ashtabula County, Ohio

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021*

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent 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 assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 & Prior
Wage Inflation	3.00 Percent	3.25 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent	4.00 Percent to 22.00 Percent
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation	7.75 Percent Net of Investment 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 of Benefit and Funding Terms – SERS

In fiscal year 2019, post-retirement increases in benefits included the following changes:

*Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3 percent of their base benefit on the anniversary of their initial date of retirement.

*Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0 percent, nor greater than 2.5 percent. COLAs are suspended for calendar years 2018, 2019, and 2020.

*Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Changes in Assumptions - STRS

Beginning with fiscal year 2018, 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 2018
Inflation	2.50 Percent
Projected Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017
	Fiscal Year 2017 & Prior
Inflation	2.75 Percent
Projected Salary Increases	12.25 Percent at Age 20 to 2.75 Percent at Age 70
Investment Rate of Return	7.75 Percent, Net of Expenses, Including Inflation
Payroll Increases	3.50 Percent
Cost of Living Adjustments (COLA)	2 Percent Simple applied as follows: For Members Retiring Before August 1, 2013 3 percent per year. For Members retiring August 1, 2013 or later, 2 percent COLA commences on 5th anniversary date

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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.

Changes in Benefit Terms - STRS

There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019 - 2021.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes of Benefit and Funding Terms – SERS

In fiscal year 2019, SERS' funding policy allowed a 2.0 percent health care contribution rate to be allocated to the Health Care fund. The 2.0 percent is a combination of 0.5 percent employer contributions and 1.5 percent surcharge.

In fiscal year 2020, SERS' funding policy allowed a 1.5 percent health care contribution rate to be allocated to the Health Care fund. The 1.5 percent is a combination of 0.0 percent employer contributions and 1.5 percent surcharge.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Changes in Assumptions – STRS OPEB

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent 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 2020, 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 percent to 1.984 percent 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 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2021 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	2021	\$121,827
COVID-19 School Breakfast Program	10.553	2021	79,600
National School Lunch Program	10.555	2021	190,549
COVID-19 National School Lunch Program	10.555	2021	137,881
Non-Cash Food Commodities	10.555	2021	24,961
Sub-Total - Child Nutrition Cluster			554,818
Fresh Fruit/Vegetable Grant	10.582	2021	24,345
Total U.S. Department of Agriculture			579,163
<u>U.S. DEPARTMENT OF TREASURY</u>			
<i>Passed Through Ohio Department of Education:</i>			
<i>COVID-19 Funding:</i>			
CRF - Coronavirus Relief Fund	21.019	2021	90,993
Ohio Broadband Connectivity	21.019	2021	10,000
Sub-Total CRF - Coronavirus Relief Fund			100,993
Total U.S. Department of Treasury			100,993
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Title I School Subsidy	84.010A	2020	129,095
	84.010A	2021	826,668
Sub-Total - Title I			955,763
<i>Special Education Cluster:</i>			
Special Education Grants to States - (IDEA Part B)	84.027A	2020	129
	84.027A	2021	327,209
Sub-Total - Special Education			327,338
Early Childhood Special Education	84.173A	2021	3,668
Sub-Total - Early Childhood Special Education			3,668
Total - Special Education Cluster			331,006
ESSER I	84.425D	2021	655,804
ESSER II	84.425D	2021	162,186
Sub-Total - ESSER			817,990
Title II, Part A - Improving Teacher Quality	84.367A	2020	25,822
	84.367A	2021	96,620
Sub-Total - Title II - Part A			122,442
Striving Readers	84.371C	2020	1,008
Student Support	84.424A	2021	26,486
Total U.S. Department of Education			2,254,695
Totals			\$2,934,851

The accompanying notes to this schedule are an integral part of this schedule.

**CONNEAUT 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, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Conneaut Area City School District (the District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Conneaut Area City School District
Ashtabula County
230 Gateway Avenue, Suite B
Conneaut, Ohio 44030

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, the major fund, and the aggregate remaining fund information of the Conneaut Area City School District, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 22, 2022, 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

August 22, 2022



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Conneaut Area City School District
Ashtabula County
230 Gateway Avenue, Suite B
Conneaut, Ohio 44030

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Conneaut 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 Conneaut Area City School District's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

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

Opinion on the Major Federal Program

In our opinion, Conneaut Area City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect the major federal program for the year ended June 30, 2021.

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 the 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

August 22, 2022

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	AL#84.425D – ESSER I, II - COVID-19
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



CONNEAUT 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 9/8/2022

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

This report is a matter of public record and is available online at
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