

CONNEAUT SCHOOL DISTRICT



Comprehensive Annual Financial Report **For the Fiscal Year Ended June 30, 2020**

Conneaut School District
219 West School Drive
Linesville, PA 16424
Crawford County, Pennsylvania
www.conneautsd.org

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**Comprehensive Annual Financial Report
of the
Conneaut School District
Crawford County, Pennsylvania
for the
Fiscal Year Ended June 30, 2020**

**Prepared By:
Greg Mayle, CPA, CMA
Business Manager**

**Department Issuing Report:
Business Office**

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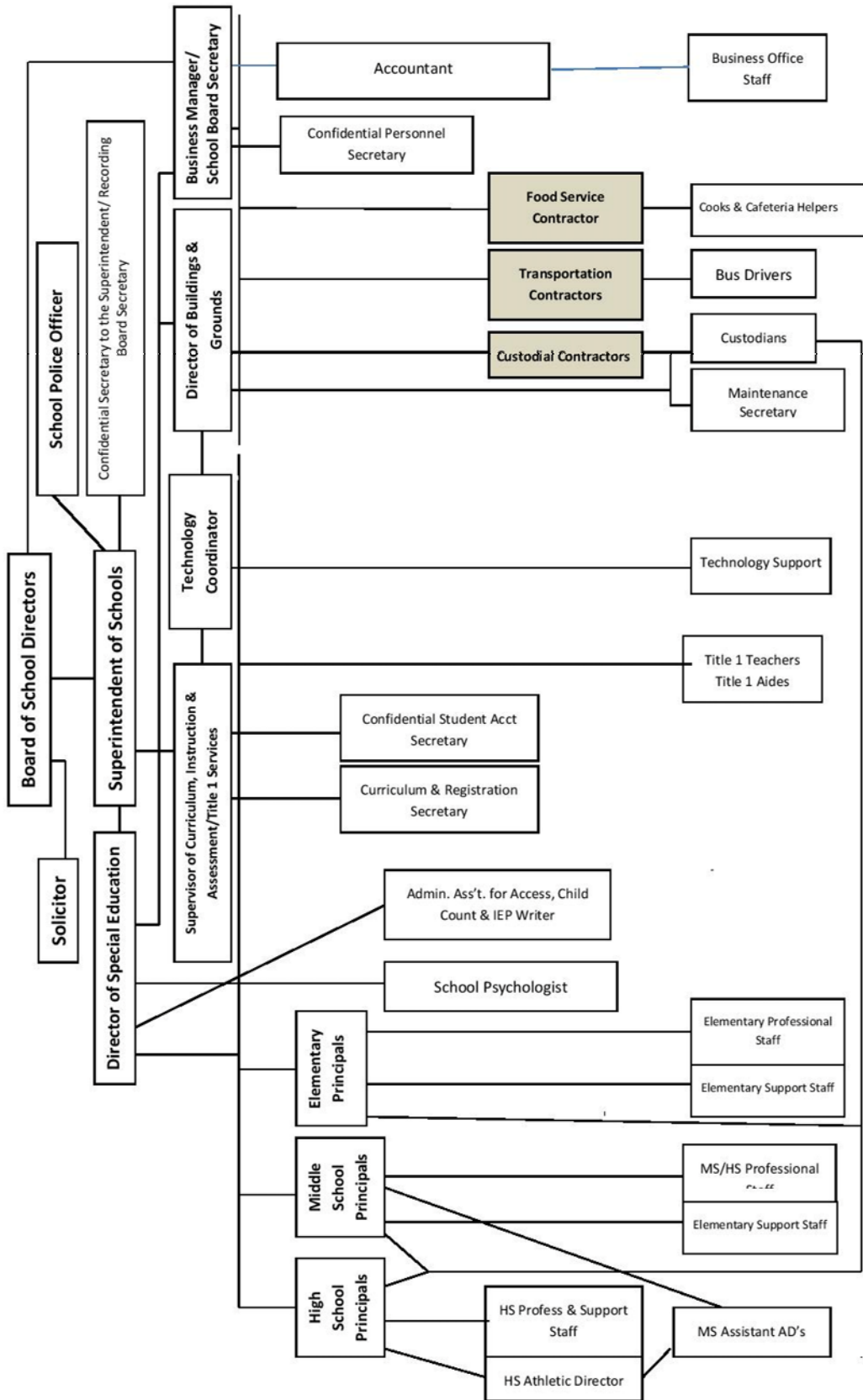
INTRODUCTORY SECTION

**Conneaut School District
Board of School Directors**

Dorothy Luckock	Board President*
Jamie Hornstein	Board Vice President*
John Burnham	Director
Don Ellis, Jr.	Director
Theressa Miller	Director*
Kathleen Klink	Director
Eric McGuirk	Director
Tim McQuiston	Director
GW Hall	Director

*Budget & Finance Committee Member

CONNEAUT SCHOOL DISTRICT ORGANIZATIONAL CHART



The mission of the Conneaut School District is to provide a safe and supportive environment in which all students acquire the skills necessary to become productive members of global society.

CONNEAUT SCHOOL DISTRICT

DISTRICT ADMINISTRATION OFFICE

219 West School Drive
Linesville, Pennsylvania 16424

PHONE (814) 683-5900 – FAX (814) 683-5452

December 2, 2020

Members of the Board of School Directors and Citizens of the Conneaut School District:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Conneaut School District for the fiscal year ended June 30, 2020. The District's Business Office prepared this report.

Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosure, rests with the District. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial affairs have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes the transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the management's discussion and analysis as well as the basic financial statements including government-wide financial statements, governmental funds and other supplemental information. Also included is the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

This report includes all funds of the District. For all governmental fund types, the District reports on a modified accrual basis of accounting, which is applied to the District's budget and accounting records. The District's General Fund and Capital Projects Fund are considered to be governmental funds. Financial information is also presented regarding the District's sole propriety fund, which is the Food Service Fund. In addition, the District's three fiduciary funds (Scholarship Fund, Custodial Bond Fund and Student Activities Fund) are also presented. Finally, the notes to the financial statements expand upon the modified accrual basis as well as the District's accounting policies and procedures. All District funds are included in this report and have been audited by McGill, Power, Bell & Associates, LLP.

Profile of the District

Demographic Information

The Conneaut School District is located in northwest Pennsylvania's Crawford County and geographically encompasses approximately the western third of the county. The school district is approximately 8 miles west of Meadville, 40 miles south of Erie and 91 miles north of Pittsburgh. Encompassing a total area of approximately 319 square miles, the School District is bordered on the south by Mercer County, on the west by the State of Ohio, on the north by Erie County and on the east by the city of Meadville. Included in the School District are the Boroughs of Conneaut Lake, Conneautville, Linesville and Springboro. Townships in the School District include Beaver, Conneaut, East Fallowfield, Greenwood, North Shenango, Pine, Sadsbury, Spring, Summerhill, Summit and West Fallowfield. The School District can be classified as rural with the majority of the work force employed in areas contiguous to that of the School District. The District's overall population is 18,070.

The Conneaut School District is comprised of three main geographic areas: Linesville, Conneaut Lake and Conneaut Valley. Each area represents a small diverse community. Linesville is a close-knit community located near the Pennsylvania and Ohio State line. Many tourists visit Linesville because of the town's proximity to Pymatuning Lake. Conneaut Lake is a resort town on the shores of Conneaut Lake. Tourism flourishes here, particularly during summer months. Conneaut Valley represents the communities of Conneautville and Springboro, small towns in the north-central part of the school district. The Conneaut Valley community is also centered in a predominantly agricultural area of Crawford County.

The school district has one high school, Conneaut Area Senior High (CASH) located in Linesville. Grades 9-12 attend CASH using the main high school building and the Alice Schafer Annex. Conneaut Valley and Conneaut Lake are each home to an elementary school and a middle school. Conneaut Valley Elementary and Conneaut Lake Elementary each hold grades K-4. Conneaut Valley Middle School and Conneaut Lake Middle School each hold grades 5-8.

The following statistics represent the 2020/2021 3rd day student enrollment in each of the five schools in the Conneaut School District:

Conneaut Lake Elementary - 325
Conneaut Lake Middle School - 310
Conneaut Valley Elementary - 314
Conneaut Valley Middle School - 279
Conneaut Area Senior High (CASH) - 610

The schools enrollments total 1,838 for the entire school district. The District's enrollment has decreased significantly over the previous 10-15 years, and this trend is expected to continue. The enrollment of the District is expected to decrease by approximately 20-30 students per year over the next few years, reaching a projected enrollment of 1,750 students in 2023.

More than 250 administrators, supervisors, teachers and support staff share the responsibility of making the Conneaut School District's schools function efficiently.

Legal Autonomy and Fiscal Independence

The District is a legally autonomous and fiscally independent entity under the laws of Pennsylvania. The laws of Pennsylvania give the District corporate powers that distinguish it as a legally separate entity from the Commonwealth of Pennsylvania and any of its political subdivisions. The District has the power to determine its budget; to approve and modify that budget; to levy taxes, set rates and establish charges; and to issue bonded debt. The powers may be exercised without substantive approval by another government.

The District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the Constitution of Pennsylvania to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth." The District is governed by a board of nine school directors, who are residents of the School District. The Directors serve on the Board without compensation. The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in the District, between the ages of six and twenty-one years, who may attend. The Superintendent is the chief administrative officer and chief instructional officer of the District and is responsible for the administration and operation of the public school system and oversees all matters pertaining to instruction.

The following individuals currently serve on the Conneaut School District Board of School Directors:

Dorothy Luckock	Board President
Jamie Hornstein	Board Vice President
John Burnham	Director
Don Ellis, Jr.	Director
Theressa Miller	Director
Kathleen Klink	Director
Eric McGuirk	Director
Tim McQuiston	Director
GW Hall	Director

Intermediate Unit Membership

The District is a member of the Northwest Tri-County Intermediate Unit #5. Pennsylvania's 29 intermediate units were established in 1971 by the Pennsylvania General Assembly to operate as regional educational service agencies to provide cost-effective, management-efficient programs to Pennsylvania school districts.

Crawford County Career and Technical Center (CCCTC)

The District is one of the three member districts of the Crawford County Career and Technical Center (CCCTC). Each District elects three members to the operating committee of the CCCTC. Each District is responsible for a portion of the CCCTC's operating budget based on student enrollment. For the 2019-2020 school year, 125 students from the Conneaut School District attended programs provided by the CCCTC.

Charter Schools

Crawford County does not currently have any brick-and-mortar charter schools within its boundaries. However, The District continues to be significantly impacted by the emergence of cyber charter schools. Cyber charter schools are separate educational entities in which students may enroll. When a student enrolls, the “sending” district must pay tuition to the cyber charter school based upon a predetermined tuition rate calculation. For the 2019-2020 school year, the District paid tuition rates of \$12,676.62 for regular education students and \$25,905.03 for special education students.

Budgetary Process/Information

The School Laws of Pennsylvania, as enacted by the State legislature, mandate that public school districts approve (adopt) an annual budget prior to the start of the fiscal year. The School Code requires that a proposed budget be prepared at least thirty days prior to adoption of the final budget for the following fiscal year. The School Code also mandates that the proposed budget be available for public inspection at least twenty days prior to the date set for adoption. Districts are also required to provide public notice of final budget adoption ten days prior to any final action on the budget. The School Code requires five affirmative votes of the Board of School Directors to adopt the annual budget. The total amount of the adopted annual budget expenditures may exceed annual budget revenues, however, the expenditures may not exceed the amount of funds available to the District. In addition to revenues, funds available to the District may include fund balance (surpluses from prior years), and other financing sources such as borrowings. The adopted budget must be filed with the Pennsylvania Department of Education. The adopted budget becomes the approved spending plan of the District for the coming fiscal year, and the Board is prohibited from spending or obligating funds in excess of the budgeted amounts. However, the Board is authorized to transfer funds within the budget from one category to another without changing the total budget. These transfers must occur in the last nine months of the fiscal year. Regulations require that a budget be adopted for the General Fund only; however, the District also prepares and adopts annual budgets for the District’s Cafeteria and Capital Projects funds.

Legal budgetary control occurs at the sub-function and major object level. During the last nine months of a fiscal year, the Board of Directors may transfer funds to any expenditure area in accordance with the Pennsylvania School Code of 1949, as amended.

For each of the past five budget processes, the District has received the Meritorious Budget Award (MBA) from the Association of School Business Officials International (ASBO).

District Facilities and Capital Improvements

The District continues to enjoy modern, clean, and well-functioning buildings in all attendance areas. However, as time passes, additional building upkeep costs are anticipated in order to maintain the current level of building quality. As such, the District developed a robust five year Capital Projects Plan in order to address these upcoming expenditures and ensure the Capital Projects Fund contains sufficient resources.

The following table represents the original building date and latest renovation date for each of the District’s active buildings:

Building	Original Construction Date	Date of Last Renovation
Central Administration	1965	2007
Conneaut Valley Elementary	1966	2007
Conneaut Lake Elementary	1966	2005
Conneaut Valley Middle	1965	2004
Conneaut Lake Middle	1966	2005
Conneaut Area Senior High	1953	2004
Alice Schafer Annex	1965	2005

Major Financial Initiatives, Long-Term Financial Planning and Relevant Financial Policies

The District has adopted numerous policies, procedures and financial initiatives in recent years to advance its goals of sound fiscal management and a forward-thinking mindset:

- Capital Projects – as previously mentioned, the District now maintains a rolling five-year capital projects plan to adequately plan for and fund upcoming projects.
- Long-Term Financial Planning – the District has long placed a significant emphasis on long-term financial planning, and rolling five-year fund balance projections are maintained to identify and address issues before they become a reality. The Board of Directors recently placed an emphasis on the creation of a three-year plan to balance the District's General Fund budget. This process began with the 2019-2020 budget cycle.
- Fund Balance – The District's fund balance is healthy, but projections continue to show risk of this balance decreasing in the future. The District adopted a formal fund balance policy in 2016 to provide guidelines on how excess or deficient fund balance situations should be handled.
- Crawford County Career and Technical Center (CCCTC) partnership – The District entered into a pilot program with the CCCTC for the 2017-2018 school year to house a welding program within one of the District's buildings. The satellite welding program, housed in Conneaut Valley Middle School, allowed 20 students the opportunity to access a program which was previously operating at a full capacity and had a wait list. The District and the CCCTC continue to monitor wait lists and available space to determine if additional opportunities for partnership exist.
- Debt Reduction – The District has placed an emphasis on financing new initiatives without the use of debt instruments, as well as reducing current levels of debt. Purchases of student technology (iPads and Chromebooks), which were previously funded through leases, are now purchased outright. In addition, the District paid off an energy savings lease in the 2017-2018 school year which achieved significant interest savings. The District continues to monitor its debt to identify areas in which an early payoff might be advantageous financially and operationally.

A complete set of District policies and regulations can be found on the District's website.

Internal Controls

The District, specifically the Business Manager, is charged with designing and implementing internal controls that ensure the District's assets are protected from fraud and abuse. The internal controls are designed to provide reasonable assurance that costs of controls do not exceed the benefits of such controls. Internal controls are continuously monitored and reviewed by staff to ensure they are operating effectively and that all risks are addressed to the extent which is reasonably possible.

Local Economy and Economic Outlook

Crawford County, similar to most manufacturing-based areas, was hit hard during the last recession. After enduring a "high-water mark" unemployment rate of 9.9% in 2009, which was above both Pennsylvania and United States rates, the rate has since fallen to 3.9% in 2019. While still slightly higher than both the Statewide and National rates, it represents a significant improvement. However, the District continues to see a decrease in overall population and student enrollment.

Property tax collection percentages have remained steady in previous years and are projected to remain in the current range. In addition, the District has realized a steady growth in assessed values over the previous five years.

In the 2018-2019 fiscal year, the District enacted a real estate tax increase of one mill, bringing the millage rate to 51.55. This was the first time real estate taxes had been increased since the 2014-2015 year, and taxing levels have remained unchanged since that time. Earned income taxes (.5%) and Per Capita taxes (\$10.00) have remained flat for well over a decade.

Closing Comments

The goal of the Comprehensive Annual Financial Report (CAFR) is to provide the Board of Education and any interested citizens with a complete view of the District's financial condition and operations as of June 30, 2020. Unlike many states, Pennsylvania does not legally mandate school districts to prepare such a report. However, the Conneaut School District is proud to prepare and present this information to its stakeholders as we continue to strive to maintain open and transparent lines of communication with our citizens.

As always, if you have any questions regarding this report, please feel free to contact me at (814) 683-5900 x5451, or by email at greg.mayle@conneautsd.org.

Respectfully submitted,

Gregory Mayle

Greg Mayle, CPA, CMA
Business Manager

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Conneaut School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Conneaut School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Conneaut School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conneaut School District's basic financial statements. The introductory section, supplemental schedule for activity funds, schedule of expenditure of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules for activity and trust funds and schedule of expenditure of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules for activity and trust funds and the schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of Conneaut School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Conneaut School District's internal control over financial reporting and compliance.

McGill, Power, Bell & Associates, LLP

A handwritten signature in black ink that reads "McGill, Power, Bell & Associates, LLP". The signature is written in a cursive, flowing style.

Meadville, Pennsylvania

December 2, 2020

Conneaut School District
Management's Discussion and Analysis
For the Year Ended June 30, 2020

The Management's Discussion and Analysis (MD&A) of Conneaut School District (District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2020. The intent of the discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to enhance their understanding of the District's financial operations and operating environment.

Key Financial Highlights

Key financial highlights for the 2019-2020 fiscal year are as follows:

-In total, net position increased by \$3.77 million. The net change in net position for governmental activities was an increase of \$3.75 million and the net change in net position for business-type activities was an increase of \$0.02 million.

-Total revenues were \$40.52 million, including \$1.30 million relating to business-type activities. General revenues accounted for \$28.86 million, or 71% of all revenue. Program specific revenues, in the form of charges for services and grants, accounted for \$11.66 million, or 29% of all revenue.

-The District incurred \$36.75 million in expenses related to governmental and business-type activities and \$11.66 million of these expenses were offset by program specific charges for services and grants. General revenues (primarily real estate taxes and subsidies) of \$28.86 million were sufficient to cover the rest of the expenses, resulting in a surplus of \$3.77 million.

-At the end of the current fiscal year the unrestricted and unassigned fund balance of the General Fund was \$3.64 million, or 9.1% of total general fund expenditures and other financing uses.

Using the Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Conneaut School District as a financial whole; that is, as one 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. In the case of the Conneaut School District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Government-Wide Financial Statements

Statement of Net Position and Statement of Activities

While this document contains the various funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we perform financially during 2019-2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities, as well as deferred outflows and deferred inflows of resources, using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net position. This change in net position is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors; some financial, some non-financial. Non-financial factors include the School District's property tax base, student enrollment, facility conditions, required education programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Government Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

- Business-Type Activities - These services are provided on a charge for goods or services basis to recover the expenses of the goods or services provided. The School District Food Service program is reported as business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balance left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance education programs. The relationships (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are reconciled in the financial statements on pages 14 and 16, respectively.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these fund financial statements will essentially match the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are utilized for the accounting of resources held by the District on behalf of another agency in a trustee capacity. Fiduciary funds can include both agency funds and trust funds. The District maintains two fiduciary funds: The Student Activity Fund (Agency) and Scholarships (Trust).

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole.

A comparison of the District's net position for 19-20 as compared to 18-19 is as follows:

	Net Position (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	19-20	18-19	19-20	18-19	19-20	18-19
<u>Assets</u>						
Current assets	20,478	18,955	(60)	(50)	20,418	18,905
Noncurrent assets						
Capital assets, net of depreciation	31,752	32,341	28	20	31,780	32,361
Investments	1,405	3,380	-	-	1,405	3,380
Total assets	53,635	54,676	(32)	(30)	53,603	54,646
Deferred outflows of resources	7,612	4,549	-	-	7,612	4,549
Total assets and deferred outflows of resources	61,247	59,225	(32)	(30)	61,215	59,195
<u>Liabilities</u>						
Current liabilities	7,383	7,285	14	36	7,397	7,321
Noncurrent Liabilities	90,573	93,063	7	5	90,580	93,068
Total Liabilities	97,956	100,348	21	41	97,977	100,389
Deferred inflows of resources	4,098	3,432	-	-	4,098	3,432
Total liabilities and deferred inflows of resources	102,054	103,780	21	41	102,075	103,821
<u>Net Position</u>						
Net investment in capital assets	2,542	530	28	20	2,570	550
Restricted	2,846	2,740	-	-	2,846	2,740
Unrestricted	(46,195)	(47,825)	(81)	(91)	(46,276)	(47,916)
	(40,807)	(44,555)	(53)	(71)	(40,860)	(44,626)
Total liabilities, deferred inflows of resources, and net position	61,247	59,225	(32)	(30)	61,215	59,195

The Statement of Net Position is presented in full detail on page 11.

Total assets and deferred outflows of resources increased by approximately \$2.02 million, primarily the result of an increase in deferred outflows of resources.

Total liabilities and deferred inflows of resources decreased by approximately \$1.7 million, primarily due to a combination of decreased long-term debt levels paired against increases in deferred inflows of resources.

From a short-term perspective (current assets and current liabilities), the District is in a strong position and has ample resources available to pay liabilities that are expected to arise in the next year. From a longer-term perspective (noncurrent assets and noncurrent liabilities), the District continues to face a shortfall of resources. Noncurrent assets are mostly comprised of capital assets (\$31.8 million), which are reported net of accumulated depreciation. Noncurrent liabilities are mostly comprised of long term debt (\$27.4 million), the net pension liability as reported under GASB #68 (\$45.5 million) and the post-employment benefit liability as reported under GASB #75 (\$16.5 million).

The following table summarizes the Statement of Activities for the District at both June 30, 2020 and 2019:

	Statement of Activities (In Thousands)					
	All Governmental Fund Types					
	Governmental		Business-Type		Total	
	Activities		Activities			
<u>Program/general revenues¹</u>	19-20	18-19	19-20	18-19	19-20	18-19
Program revenues						
Instruction	5,969	5,988	-	-	5,969	5,988
Instructional student support	784	759	-	-	784	759
Administrative/financial support	334	314	-	-	334	314
Operations/maintenance	93	138	-	-	93	138
Student transportation	2,394	2,513	-	-	2,394	2,513
Student activities	108	98	-	-	108	98
Interest on long-term debt	683	765	-	-	683	765
Food service operations	-	-	1,299	1,092	1,299	1,092
Total program revenues	10,365	10,575	1,299	1,092	11,664	11,667
General revenues						
Property taxes	12,959	13,051	-	-	12,959	13,051
Other taxes levied	3,210	3,125	-	-	3,210	3,125
Grants, subsidies and contributions	12,309	12,185	-	-	12,309	12,185
Investment earnings	300	431	1	1	301	432
Miscellaneous income	80	202	-	-	80	202
Total general revenues	28,858	28,994	1	1	28,859	28,995
Total program and general revenue	39,223	39,569	1,300	1,093	40,523	40,662
<u>Expenses</u>						
Instruction	19,740	20,952	-	-	19,740	20,952
Instructional student support	3,339	3,797	-	-	3,339	3,797
Administrative/financial support	2,719	2,923	-	-	2,719	2,923
Operations/maintenance	4,020	4,111	-	-	4,020	4,111
Student transportation	3,711	3,867	-	-	3,711	3,867
Student activities	660	771	-	-	660	771
Community services	12	17	-	-	12	17
Facilities acquisition/improvement	-	25	-	-	-	
Food service operations	-	-	1,281	1,198	1,281	1,198
Interest on long-term debt	1,274	1,332	-	-	1,274	1,332
Total expenses	35,475	37,795	1,281	1,198	36,756	38,968
Change in net position before transfers	3,748	1,774	19	(105)	3,767	1,694
Transfers, net	-	(134)	-	134	-	-
Change in net position	3,748	1,640	19	29	3,767	1,694
Net position, beginning of period	(44,555)	(46,195)	(71)	(100)	(44,626)	(46,295)
Net position, end of period	\$ (40,807)	\$ (44,555)	\$ (52)	\$ (71)	\$ (40,859)	\$ (44,601)

The Statement of Activities is presented in full detail on page 12.

¹The program revenue categories of "charges for services" and "operating grants and contributions" have been combined in this table due to the immaterial nature of the "charges for services" line items.

Governmental activities

Revenues arising from governmental activities remained materially flat. Expenses relating to governmental activities decreased by approximately \$2.32 million, or 6.1%. Key areas where expenses significantly changed from the prior year included instruction (decrease of \$1.2 million), instructional student support (decrease of \$0.5 million) and administration and financial support (decrease of \$0.2 million).

The District's reliance on state and federal grants and local tax revenues is apparent. A decrease in these revenues would have a direct impact on the level of local revenue needed to meet program expenses.

Business-type activities

Business-type activity consists only of the District's Food Service Fund. This program had revenue of \$1.30 million and program expenses of \$1.28 million. While this activity receives no support from tax revenue, this program received federal and state grants and in-kind contributions of \$1.17 million. Without the support from the federal and state government, this operation would require additional support from local sources.

District's Funds

Financial information related to the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$39.28 million and total expenditures of \$39.65 million. The overall result was a decrease in the total governmental fund balance of \$0.37 million. Due to a transfer between the General Fund and the Capital Projects Fund, the General Fund Balance decreased \$0.48 million and the Capital Projects Fund Balance increased \$0.11 million to arrive at this net result.

The General Fund accounted for 99.98 percent of total revenues and 98.70 percent of total expenditures.

General Fund Highlights

The School District's budget is prepared on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund. Major variations between the original budget and final budget are due to decreases in the expenditures budgeted for several programs.

Budgeted General Fund revenue and other financing sources totaled approximately \$39.46 million. No budget transfers occurred for revenue accounts during the 2019-2020 year. Actual revenue fell short of budgeted amounts by approximately \$0.22 million, or 0.50%. This was primarily driven by a decrease in local and federal funding over what was expected combined with slightly higher receipts in state funding sources.

Expenditures and other financing uses in the general fund were budgeted at a level of \$39.81 million compared to actual expenditures and other uses of \$39.71 million. The majority of transfers occurring during the year occurred within functions. A review of budget to actual expenditures indicates all major function-major object expenditure categories were below budget in accordance with the PA School Code.

In the 2018-2019 fiscal year, the District implemented a rolling five-year plan within the Capital Projects budget to plan for upcoming capital expenditures throughout the District. The District's goal is to, at a minimum, maintain sufficient funding in the Capital Projects fund to pay for five years of planned capital expenditures. In order to ensure adequate funding, the District made an initial transfer of \$1.95 million from the General Fund into the Capital Projects Fund during the 2018-2019 year. In the 2019-2020 year, an additional transfer of \$550,000 was made.

The District ended the 2019-2020 year with a governmental fund balance of \$15.51 million. Of this amount, \$3.24 million is considered to be either nonspendable or restricted. Of the remaining amount, the largest portion (\$8.63 million) was committed by the Board of Education for future capital expenditures. \$3.64 million remains unassigned.

Due to the relatively low percentage of nonspendable and restricted amounts, as well as the Board's ability to change commitments through a simple majority vote, the District does not consider fund balance limitations to significantly affect availability of fund resources for future use.

Capital Projects Fund Highlights

As a result of complete building renovations in the early 2000's, the District has enjoyed clean, modern and well functioning facilities, and as such expenditures from the Capital Projects Fund remained low for many years. However, the District recognized that as time goes on this luxury will not continue. As previously mentioned, the concept of a rolling five year plan was developed in during the 18-19 year and continues to be utilized in the Capital Projects Fund to plan for this reality.

Revenue in the Capital Projects Fund totaled \$41,032, which was entirely interest earnings. Other financing sources totaled \$550,000, which represented the previously mentioned transfer. Expenditures in the Capital Projects Fund totaled \$483,174.

Capital asset and debt administration

Capital assets

At the end of fiscal year 2020, the School District had \$31.78 million invested in land, buildings, and equipment net of depreciation in the government-wide financial statements. Acquisitions during the year totaled \$764,669 and no disposals were recorded

For additional information on capital assets, see Note H to the financial statements.

Debt administration

At June 30, 2020, the School District had approximately \$29.25 million in net bonds outstanding, with \$2.51 million due within one (1) year.

For additional information on bonds and notes, see Note I to the financial statements.

At June 30, 2020, the School District's non-electoral limit for debt (225 percent of borrowing base) was approximately \$85.88 million, excluding existing and self-liquidating debt.

For the future

While far more stable than it has been in recent years, the financial outlook for the District continues to be somewhat uncertain. As the preceding information shows, the District heavily depends on its property taxpayers, as well as state funding, to fund operations.

Despite having a healthy general fund balance at the conclusion of the 2019-2020 fiscal year, the District must continue to be fiscally conservative to ensure the least amount of impact on taxpayers and programming. The District realizes that PSERS continues to play a major role in its performance and budgeting. The employer contribution rate is projected by PSERS to increase from 34.51 percent in 2020-2021 to 38.17 percent in 2027-2028. In addition, special education costs are rising exponentially faster than the level of state reimbursement and cyber charter school tuition rates continue to climb. In light of such challenges, the District will continue to monitor its budget and financial forecasts closely.

The COVID-19 pandemic has had a significant effect on the District's operations, but the effect is believed to be short-term. Federal stimulus funds have played an important role in mitigating costs associated with the pandemic.

As of the date of this report, except as discussed in the preceding paragraphs, no other conditions are expected that would significantly impact the financial status of the District. Of course, stability and growth depend upon the general economic conditions, including the unemployment rate of the District's taxpayers. Crawford County's economy, as with most areas in the Commonwealth of Pennsylvania, continues to be challenged by volatility. The cost of operations is anticipated to continue to increase, which may need to be funded by increasing property taxes, reducing the quantity and size of programs, or both.

Contacting the District's financial management

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Gregory Mayle at Conneaut School District, 219 West School Drive, Linesville, Pennsylvania 16424.

CONNEAUT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 15,396,895	\$ 174,890	\$ 15,571,785
Receivables:			
Delinquent and other taxes	2,291,145	-	2,291,145
Intergovernmental	1,723,223	20,147	1,743,370
Interfund	257,245	(257,245)	-
Other	480,838	-	480,838
Prepaid expenses	328,867	-	328,867
Inventories	-	2,217	2,217
Total current assets	<u>20,478,213</u>	<u>(59,991)</u>	<u>20,418,222</u>
NONCURRENT ASSETS			
Investments	1,336,818	-	1,336,818
Investment in health consortium	67,533	-	67,533
Capital assets:			
Non-depreciable capital assets	99,472	-	99,472
Depreciable capital assets, net	31,653,085	28,058	31,681,143
Total noncurrent assets	<u>33,156,908</u>	<u>28,058</u>	<u>33,184,966</u>
Total assets	<u>53,635,121</u>	<u>(31,933)</u>	<u>53,603,188</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	754,153	-	754,153
Relating to net OPEB liability, net of amortization	797,992	-	797,992
Relating to net pension liability, net of amortization	6,059,821	-	6,059,821
Total deferred outflows of resources	<u>7,611,966</u>	<u>-</u>	<u>7,611,966</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 61,247,087</u>	<u>\$ (31,933)</u>	<u>\$ 61,215,154</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 809,269	\$ 4,990	\$ 814,259
Current portion of long-term debt	2,555,721	-	2,555,721
Accrued interest payable	225,613	-	225,613
Accrued salaries and benefits	3,726,828	-	3,726,828
Unearned revenue	65,711	8,797	74,508
Total current liabilities	<u>7,383,142</u>	<u>13,787</u>	<u>7,396,929</u>
NONCURRENT LIABILITIES			
Compensated absences	1,152,751	6,949	1,159,700
Net OPEB liability	16,537,470	-	16,537,470
Net pension liability	45,472,695	-	45,472,695
Bonds payable and other long-term debt	27,409,478	-	27,409,478
Total noncurrent liabilities	<u>90,572,394</u>	<u>6,949</u>	<u>90,579,343</u>
Total liabilities	<u>97,955,536</u>	<u>20,736</u>	<u>97,976,272</u>
DEFERRED INFLOWS OF RESOURCES			
Relating to net OPEB liability, net of amortization	1,784,755	-	1,784,755
Relating to net pension liability, net of amortization	2,313,422	-	2,313,422
Total deferred inflows of resources	<u>4,098,177</u>	<u>-</u>	<u>4,098,177</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	2,541,511	28,058	2,569,569
Restricted:			
Restricted donations	37,523	-	37,523
Capital projects	2,808,855	-	2,808,855
Unrestricted	(46,194,515)	(80,727)	(46,275,242)
Total net position (deficit)	<u>(40,806,626)</u>	<u>(52,669)</u>	<u>(40,859,295)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 61,247,087</u>	<u>\$ (31,933)</u>	<u>\$ 61,215,154</u>

See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expense) Revenue and Changes In Net Position</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 19,740,183	\$ 24,867	\$ 5,944,284	\$ (13,771,032)	\$ -	\$ (13,771,032)
Instructional student support	3,339,483	-	784,096	(2,555,387)	-	(2,555,387)
Administration and financial support	2,719,413	-	333,974	(2,385,439)	-	(2,385,439)
Operation and maintenance of plant	4,020,191	-	92,345	(3,927,846)	-	(3,927,846)
Pupil transportation	3,710,885	-	2,393,619	(1,317,266)	-	(1,317,266)
Student activities	659,640	32,141	75,831	(551,668)	-	(551,668)
Community services	11,838	-	-	(11,838)	-	(11,838)
Interest on long-term debt	1,273,616	-	683,827	(589,789)	-	(589,789)
Total governmental activities	35,475,249	57,008	10,307,976	(25,110,265)	-	(25,110,265)
BUSINESS-TYPE ACTIVITIES						
Food services	1,281,424	125,857	1,172,959	-	17,392	17,392
TOTAL	\$ 36,756,673	\$ 182,865	\$ 11,480,935	(25,110,265)	17,392	(25,092,873)
GENERAL REVENUES						
Property taxes, levied for general purposes, net				12,958,749	-	12,958,749
Other taxes levied				3,210,479	-	3,210,479
Grants, subsidies, and contributions, unrestricted				12,308,538	-	12,308,538
Investment earnings				300,239	1,210	301,449
Miscellaneous income				80,258	-	80,258
Total general revenues				28,858,263	1,210	28,859,473
CHANGES IN NET POSITION				3,747,998	18,602	3,766,600
NET POSITION (DEFICIT), BEGINNING OF YEAR				(44,554,624)	(71,271)	(44,625,895)
NET POSITION (DEFICIT), END OF YEAR				\$ (40,806,626)	\$ (52,669)	\$ (40,859,295)

See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	<i>Major Funds</i>		<i>Total</i>
	<i>General</i>	<i>Capital</i>	<i>Governmental</i>
	<i>Fund</i>	<i>Projects</i>	<i>Funds</i>
		<i>Fund</i>	
ASSETS			
Cash and cash equivalents	\$ 12,588,040	\$ 2,808,855	\$ 15,396,895
Receivables:			
Delinquent and other taxes	2,291,145	-	2,291,145
Intergovernmental	1,723,223	-	1,723,223
Interfund	257,245	-	257,245
Other	480,838	-	480,838
Prepaid items	328,867	-	328,867
Investments	1,336,818	-	1,336,818
Investment in health consortium	67,533	-	67,533
TOTAL ASSETS	\$ 19,073,709	\$ 2,808,855	\$ 21,882,564
LIABILITIES			
Accounts payable	\$ 809,269	\$ -	\$ 809,269
Accrued salaries and benefits	3,726,828	-	3,726,828
Unearned revenues	65,711	-	65,711
Interfund payable	-	-	-
Total liabilities	4,601,808	-	4,601,808
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - taxes	1,772,885	-	1,772,885
FUND BALANCES			
Fund balances:			
Nonspendable:			
Prepaid items	328,867	-	328,867
Investment in health care consortium	67,533	-	67,533
Restricted:			
Restricted donations	37,523	-	37,523
Capital projects	-	2,808,855	2,808,855
Committed:			
Capital projects	8,628,052	-	8,628,052
Unassigned	3,637,041	-	3,637,041
Total fund balances	12,699,016	2,808,855	15,507,871
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 19,073,709	\$ 2,808,855	\$ 21,882,564

See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	15,507,871
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Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$58,090,154, and the accumulated depreciation is \$26,337,597.		31,752,557
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Property and earned income taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds.		1,772,885
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Deferred outflows and deferred inflows of resources relating to the net pension and OPEB liabilities are not reported in the funds.		2,759,636
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Long-term liabilities, including bonds payable, are
not due and payable in the current period and therefore
are not reported as liabilities in the funds. Long-term
liabilities at year end consist of:

Bonds payable and deferred amount on refunding	\$	(29,211,046)	
Accrued interest payable		(225,613)	
Net pension liability		(45,472,695)	
Net OPEB liability		(16,537,470)	
Compensated absences		(1,152,751)	(92,599,575)
			<hr/>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES	\$	(40,806,626)
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See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

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

	<i>Major Funds</i>		<i>Total Governmental Funds</i>
	<i>General Fund</i>	<i>Capital Projects Fund</i>	
REVENUES			
Local sources:			
Taxes	\$ 16,224,893	\$ -	\$ 16,224,893
Other	396,457	41,032	437,489
State sources	20,971,829	-	20,971,829
Federal sources	1,644,685	-	1,644,685
Total revenues	<u>39,237,864</u>	<u>41,032</u>	<u>39,278,896</u>
EXPENDITURES			
Current:			
Instruction	21,242,348	-	21,242,348
Support services	13,204,086	-	13,204,086
Non-instructional services	730,831	-	730,831
Miscellaneous	49,193	-	49,193
Capital outlay	291,368	483,174	774,542
Debt service:			
Principal retirement	2,380,000	-	2,380,000
Interest on long-term debt	1,267,665	-	1,267,665
Total expenditures	<u>39,165,491</u>	<u>483,174</u>	<u>39,648,665</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	72,373	(442,142)	(369,769)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	16	-	16
Interfund transfers	(550,000)	550,000	-
Total other financing sources (uses)	<u>(549,984)</u>	<u>550,000</u>	<u>16</u>
NET CHANGES IN FUND BALANCES	(477,611)	107,858	(369,753)
FUND BALANCES, BEGINNING OF YEAR	<u>13,176,627</u>	<u>2,700,997</u>	<u>15,877,624</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 12,699,016</u></u>	<u><u>\$ 2,808,855</u></u>	<u><u>\$ 15,507,871</u></u>

See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGE IN FUND BALANCES -

GOVERNMENTAL FUNDS	\$	(369,753)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$764,669) is less than depreciation (\$1,353,559) in the period.

(588,890)

Because some property and earned income taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues changed by this amount this year.

(55,665)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

(5,951)

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

2,380,000

In the Statement of Activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

Change in compensated absences	\$	(37,052)
Change in net OPEB liability		(112,305)
Change in net pension liability		84,017
Change in deferred outflows and inflows of resources:		
Relating to net OPEB liability		(849)
Relating to net pension liability		2,454,446

2,388,257

TOTAL NET CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES

\$	3,747,998
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See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -

GENERAL FUND

YEAR ENDED JUNE 30, 2020

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget</i>
REVENUES				
Local sources:				
Taxes	\$ 16,257,813	\$ 16,257,813	\$ 16,224,893	\$ (32,920)
Other	544,500	544,500	396,457	(148,043)
State sources	20,883,448	20,883,448	20,971,829	88,381
Federal sources	1,776,365	1,776,365	1,644,685	(131,680)
Total revenues	<u>39,462,126</u>	<u>39,462,126</u>	<u>39,237,864</u>	<u>(224,262)</u>
EXPENDITURES				
Regular programs	13,308,275	13,209,851	13,205,079	4,772
Special programs	5,043,804	5,313,941	5,313,878	63
Vocational education	2,598,089	2,468,947	2,468,947	-
Other instructional programs	296,492	286,366	286,366	-
Pupil personnel	1,097,765	1,154,267	1,153,578	689
Instructional staff	1,241,438	1,261,499	1,171,321	90,178
Administration	2,484,288	2,426,341	2,426,341	-
Pupil health	577,731	596,984	596,984	-
Business office	505,291	498,214	498,214	-
Operation and maintenance of plant	3,061,809	2,959,143	2,959,143	-
Student transportation	3,876,221	3,710,885	3,710,885	-
Other support services	955,715	905,342	905,342	-
Student activities	914,835	760,717	760,717	-
Community services	26,774	11,838	11,838	-
Debt service:				
Principal retirement	2,380,000	2,380,000	2,380,000	-
Interest on long-term debt	1,267,666	1,267,665	1,267,665	-
Miscellaneous	125,000	49,193	49,193	-
Total expenditures	<u>39,761,193</u>	<u>39,261,193</u>	<u>39,165,491</u>	<u>95,702</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(299,067)	200,933	72,373	(128,560)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	16	16
Interfund transfers	(50,000)	(550,000)	(550,000)	-
Total other financing sources (uses)	<u>(50,000)</u>	<u>(550,000)</u>	<u>(549,984)</u>	<u>16</u>
NET CHANGE IN FUND BALANCE	(349,067)	(349,067)	(477,611)	(128,544)
FUND BALANCE, BEGINNING OF YEAR	349,067	349,067	13,176,627	12,827,560
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,699,016</u>	<u>\$ 12,699,016</u>

See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND (FOOD SERVICE)
JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 174,890
Intergovernmental receivable	20,147
Inventories	2,217
Total current assets	<u>197,254</u>

NONCURRENT ASSETS

Depreciable capital assets, net	<u>28,058</u>
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TOTAL ASSETS

\$ 225,312

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 4,990
Interfund payable	257,245
Unearned revenue	8,797
Total current liabilities	<u>271,032</u>

NONCURRENT LIABILITIES

Compensated absences	<u>6,949</u>
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TOTAL LIABILITIES

NET POSITION (DEFICIT)

Net investment in capital assets	28,058
Unrestricted	<u>(80,727)</u>
Total net position (deficit)	<u>(52,669)</u>

TOTAL LIABILITIES AND NET DEFICIT

\$ 225,312

See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION PROPRIETARY FUND (FOOD SERVICE)

YEAR ENDED JUNE 30, 2020

OPERATING REVENUES

Food services sales	\$ 125,857
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OPERATING EXPENSES

Salaries	332,528
Payroll taxes	25,175
Employee benefits	206,147
Food management services	552,972
Food and supplies	102,427
Repairs and maintenance	37,351
Other operating costs	1,677
Depreciation	23,147
Total operating expenses	<u>1,281,424</u>

OPERATING LOSS	<u>(1,155,567)</u>
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NONOPERATING REVENUES

State subsidies	114,328
Federal subsidies	1,058,631
Investment earnings	1,210
Total nonoperating revenues	<u>1,174,169</u>

CHANGE IN NET POSITION	18,602
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NET DEFICIT, BEGINNING OF YEAR	<u>(71,271)</u>
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NET DEFICIT, END OF YEAR	<u><u>\$ (52,669)</u></u>
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See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (FOOD SERVICE)

YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 125,857
Cash payments to employees for services	(535,506)
Cash payments to suppliers for goods and services	(626,155)
NET CASH USED IN OPERATING ACTIVITIES	(1,035,804)

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of property and equipment	(31,567)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State subsidies	122,931
Federal subsidies	1,112,664
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,235,595

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	1,210
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NET CHANGES IN CASH AND CASH EQUIVALENTS

169,434

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

5,456

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 174,890

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

OPERATING LOSS	\$ (1,155,567)
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ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Depreciation	23,147
Donated commodities used	71,509
Decrease in interfund receivable	72,101
Decrease in inventories	9,698
Decrease in accounts payable	(9,839)
Decrease in interfund payable	(45,750)
Decrease in unearned revenue	(3,096)
Increase in compensated absences	1,993
Total adjustments	119,763

NET CASH USED IN OPERATING ACTIVITIES

\$ (1,035,804)

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:

DONATED FOOD RECEIVED	\$ 71,509
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DONATED FOOD USED	\$ 71,509
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See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2020

	<i>Private-Purpose Trust Fund</i>	<i>Agency Fund Student Activities Fund</i>
ASSETS		
Cash	\$ 289,280	\$ 79,341
Investments	14,886	-
TOTAL ASSETS	\$ 304,166	\$ 79,341
LIABILITIES		
Accounts payable	\$ 5,000	\$ -
Deposits payable	42,644	-
Due to student groups	-	79,341
Total liabilities	47,644	79,341
NET POSITION		
Restricted for legal purposes	256,522	-
TOTAL LIABILITIES AND NET POSITION	\$ 304,166	\$ 79,341

See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2020

	<i>Private-Purpose Trust Fund</i>
ADDITIONS	
Gifts and contributions	\$ 259
Investment earnings	3,591
Miscellaneous revenue	<u>1,500</u>
Total additions	<u>5,350</u>
DEDUCTIONS	
Scholarships awarded	<u>8,000</u>
CHANGE IN NET POSITION	(2,650)
NET POSITION, BEGINNING OF YEAR	<u>259,172</u>
NET POSITION, END OF YEAR	<u><u>\$ 256,522</u></u>

See accompanying notes to the basic financial statements.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – ENTITY

Conneaut School District (the District), organized under the laws of the Commonwealth of Pennsylvania, is comprised of students from the municipalities of the Boroughs of Conneaut Lake, Linesville, Springboro, and Conneautville and the Townships of East Fallowfield, West Fallowfield, Sadsbury, Spring, Summerhill, Pine, North Shenango, Greenwood, Conneaut, Beaver, and Summit. The District is operated by a nine-member Board. The Board is split into three main regions (Linesville, Conneautville, and Conneaut Lake) and three members are elected by each region. The objective of the District is to provide elementary and secondary education to the District's students as prescribed by the laws and regulations of the Commonwealth of Pennsylvania.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP as applied to governmental units). The Government Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting activities. The most significant of these accounting policies are as follows:

Reporting Entity

The Governmental Accounting Standards Board Statement No. 14 "*The Financial Reporting Entity*", established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units, which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship.

This report includes all of the funds of the District based on the above criteria.

The following joint ventures are not component units of the District and are not included in the District's reporting entity.

Crawford County Career and Technical Center (CCCTC) – is a separate legal entity. It was organized by public school districts in Crawford County to provide services in the County. Each of the public school districts appoints three members to serve on the joint operating committee, and each has an ongoing financial responsibility to fund the CCCTC. Each District is responsible for a portion of the CCCTC's operating budget based on student enrollment. Audited financial statements for the year ended June 30, 2020 for CCCTC are available at its business office.

Northwest Tri-County Intermediate Unit (IU) – All member districts operate under an agreement to proportionately pay for the cost of commonly shared services. The cost for operating costs is deducted from the school district subsidy each year. The School District also contracts with the I.U. to provide special education services. Audited financial statements for the year ended June 30, 2020 for the Northwest Tri-County Intermediate Unit are available at its business office.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

The District reports the following major funds and fund types in this report:

Governmental Fund Types

These are the funds through which most governmental functions are furnished. The funds included in this category are:

General Fund

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund

Capital projects funds are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlay (other than those financed by proprietary funds, special assessment funds and trust funds).

Proprietary Fund Types

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Food Service Fund is a proprietary fund.

Fiduciary Fund Types

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The agency fund accounts for funds held on behalf of the students in the District.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Government-wide financial statements report information on all of the non-fiduciary activities of the District. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District. The District's major individual governmental funds and its enterprise fund are reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for the District's enterprise fund include food production costs, supplies, and depreciation on equipment. Building-wide costs, such as utilities, maintenance and depreciation on the portion of buildings used for food service are not allocated to the food service fund.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation on the Statement of Net Position.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. The measurement focus and basis of accounting for the private-purpose trust is the same for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

The District's basic financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

Inventories

A physical inventory of the Food Service food and supplies was taken as of June 30, 2020. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. The District does not record any other inventory, but rather expenses the purchase of supplies at the time of procurement.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

General Fund capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets, except for construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>	<u>Business-Type Activities</u> <u>Estimated Lives</u>
Land improvements	10-30 years	N/A
Buildings and improvements	25-40 years	N/A
Furniture, equipment and vehicles	5-20 years	5-10 years

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type in the Statement of Net Position. Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized on the straight-line method over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and bond premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources affecting the Statement of Net Position in the current year are deferred outflows relating to the pension and net OPEB liabilities and the refunding of debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District has three items that qualify for reporting in this category. They are delinquent taxes as reported in the Balance Sheet of the governmental fund statement and deferred inflows relating to the pension and net OPEB liabilities as reported on the Statement of Net Position.

Net Position

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy the District's obligations. Net position is classified as follows:

Net Investment in Capital Assets: This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of debt that is attributable to the acquisition, construction, and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted Net Position: This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted: This consists of all other net position that does not meet the definition of net investment in capital assets or restricted net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Fund Equity

The Government Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* with the intention of providing a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's board, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the District's board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes but are neither restricted nor committed. The District Superintendent and Business Manager have the authority to assign the amounts to be used for specific purposes. This type of limitation can be imposed by the highest levels of decision making with the District, but little or no formal action is required to modify or eliminate those limitations. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District considers restricted funds to have been used first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pensions, and pension expense, information about the fiduciary net position of the Pennsylvania Public School Employee's Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan and the Public School Employees' Retirement System and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Budgets

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements, specifically:

The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The District publishes notice by advertisement after approval thirty days prior to the adoption of the annual budget and is available for public inspection at the administrative office of the District.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

For the year ended June 30, 2020, expenditures did not exceed appropriations in any function.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles

GASB Statement No. 84, *Fiduciary Activities*, is effective for periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

GASB Statement No. 87, *Leases*, is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest costs incurred before the end of a construction period. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

Subsequent Events

Management has evaluated subsequent events through December 2, 2020, the date on which the financial statements were available to be issued.

NOTE C – CASH AND CASH EQUIVALENTS

GASB Statement No. 40, "Deposit and Investment Risk Disclosures," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the District's deposit risks:

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Pennsylvania Act 10 of 2016 became effective May 25, 2016 and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards to credit quality and maturity are met.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE C – CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The deposit and investment policy of the District adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of amounts listed below.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the deposits may not be returned.

As required by Section 623 of the Public School Code, all bank balances of deposit and certificates of deposit as of the balance sheet date are entirely insured or collateralized. The carrying amount of the District's deposits at year-end with financial institutions was \$5,119,700, and the bank balances were \$5,433,688. At June 30, 2020, a significant portion of the District's cash is maintained with a large financial institution located in Pennsylvania. Of the bank balances at year end, \$250,000 was covered by federal depository insurance and the remainder was held in collateral by the depository's agent but not in the District's name in accordance with Act 72 of the Pennsylvania state legislature. Act 72 requires financial institutions to pool collateral for all governmental deposits and have collateral held by an approved custodian in the institution's name.

A portion of the District's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an annual independent audit. The District's cash equivalent investments in PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The fair value of the District's position in the external investment pool is the same as the value of the pool shares. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania. Funds amounting to \$10,452,085 were on deposit with PLGIT.

Additionally, the District had cash maintained in fiduciary funds. At June 30, 2020, the carrying balance for the Private-Purpose Trust Funds and Student Activities Fund amounted to \$289,280 and \$79,341, respectively, with bank balances of \$289,280 and \$79,341, respectively. The bank balances were in excess of FDIC coverage but were collateralized with securities held by the pledging financial institution in separate pooled accounts but not in the District's name.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The District has a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk is defined by GASB as having five percent or more invested in the securities of a single issuer. The District places no limit on the amount it may invest in any one issuer.

Interest rate risk is the risk that interest rate variations may adversely affect the fair value of an investment. An acceptable method for reporting interest rate risk is weighted average maturity. In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than five years.

The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities, mutual fund investments, cash equivalents, and listed derivatives.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies. Assets in this level include debt securities and partnerships that hold Level 1 assets, provided that the District has the ability to redeem the investment in the near term, and real estate held for investment if measured by a current appraisal.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data. Assets in this level include alternative investments, real estate held for investment if measured using management estimates, investments in partnerships, limited liability companies, and beneficial interest in assets held by others.

CONNEAUT SCHOOL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investments are reported at fair value. As of June 30, 2020, the District had the following investments:

	<i>Measurement Amount</i>	<i>Maturity</i>	<i>Moody's Ratings</i>	<i>Percent of Total Investments</i>
Net Asset Value Per Share:				
Money market mutual fund	\$ 22,870	Average 45 Days	Aaa	1.7%
Fair Value - Level Two Inputs				
Municipal bonds	312,717	Less than one year	Aa	23.1%
Municipal bonds	103,115	Less than five years	A	7.6%
	<u>415,832</u>			
Certificates of Deposit	913,002	Less than one year	N/ A	67.5%
TOTAL	<u>\$ 1,351,704</u>			<u>100.0%</u>

NOTE E – TAX REVENUE AND RECEIVABLE

Property Tax

The District's real property tax is based on the listed assessed value at January 1st and then levied July 1st of each year. The millage rate for the year ended June 30, 2020 was as follows:

	<u>Millage</u>
Crawford County	51.55

The District Real Estate taxes are collected by the elected tax collector or treasurer of the political subdivision. The county determines assessed valuation and also acts as a delinquent tax collector. The taxes are levied on August 1st and are due December 31st. A 2% discount is permitted if paid prior to September 30th. A penalty of 10% is imposed after November 30th. The individual tax collectors settle and are exonerated for non-collections as of December 31st.

Taxes Receivable

Taxes receivable consist of the following at June 30, 2020:

	<i>Collectible</i>	<i>Recognized</i>	<i>Deferred Taxes</i>
Real estate	\$ 1,956,568	\$ 183,683	\$ 1,772,885
Earned income taxes	318,279	318,279	-
Transfer taxes	16,298	16,298	-
TOTAL	<u>\$ 2,291,145</u>	<u>\$ 518,260</u>	<u>\$ 1,772,885</u>

CONNEAUT SCHOOL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE F – DUE TO/FROM OTHER FUNDS

The due to/from other funds as of June 30, 2020 were as follows:

<i>Recipient Fund</i>	<i>Payable Fund</i>	<i>Purpose</i>	<i>Amount</i>
General Fund	Food Service Fund	Operations	\$ 257,245

NOTE G - INTERFUND TRANSFERS

The composition and purpose of transfers between funds during the June 30, 2020 year-end is as follows:

<i>Recipient Fund</i>	<i>Payor Fund</i>	<i>Purpose</i>	<i>Amount</i>
Capital Projects Fund	General Fund	Capital projects	\$ 550,000

NOTE H – CAPITAL ASSETS

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

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	\$ 99,472	\$ -	\$ -	\$ 99,472
Total capital assets not being depreciated	99,472	-	-	99,472
Capital assets being depreciated:				
Land improvements	1,570,137	164,002	-	1,734,139
Buildings and building improvements	51,650,472	308,743	-	51,959,215
Furniture, equipment and other	4,005,404	291,924	-	4,297,328
Total capital assets, being depreciated	57,226,013	764,669	-	57,990,682
Accumulated depreciation for:				
Land improvements	(1,253,242)	(64,755)	-	(1,317,997)
Buildings and building improvements	(20,995,701)	(962,479)	-	(21,958,180)
Furniture, equipment and other	(2,735,095)	(326,325)	-	(3,061,420)
Total accumulated depreciation	(24,984,038)	(1,353,559)	-	(26,337,597)
Total capital assets, being depreciated, net	32,241,975	(588,890)	-	31,653,085
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 32,341,447	\$ (588,890)	\$ -	\$ 31,752,557
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Furniture, equipment and other	\$ 874,835	\$ 31,567	\$ -	\$ 906,402
Accumulated depreciation for:				
Furniture, equipment and other	(855,197)	(23,147)	-	(878,344)
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 19,638	\$ 8,420	\$ -	\$ 28,058

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Instruction	\$ 192,205
Student activities	5,414
Operation and maintenance of plant	<u>1,155,940</u>
 TOTAL DEPRECIATION EXPENSE	
GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,353,559</u></u>
 BUSINESS-TYPE ACTIVITIES:	
FOOD SERVICE	<u><u>\$ 23,147</u></u>

NOTE I – LONG-TERM DEBT

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct general obligations of the District. Principal and interest payments are backed by the full faith, credit, and taxing authority of the District.

On May 22, 2007 the District issued \$27,003,055 General Obligation Bonds Series B of 2007. The bond pays interest ranging from 4% to 5% due on a semi-annual basis. The proceeds of the Series B bonds net of costs were used to refund the series of 2004 and 2005 bonds and the series of 2005 notes.

On August 14, 2012 the District issued \$7,715,000 General Obligation Bonds Series of 2012. The bonds pay interest ranging from .7% to 3.3% due one a semi-annual basis. The proceeds of the bonds net of costs were used to refund the series of 2003 bonds and the series of 2000 notes.

On January 15, 2015 the District issued \$10,000,000 General Obligation Bonds Series 2015. The bonds pay interest ranging from 2.000% to 3.375% due on a semi-annual basis. The proceeds of the bonds net of costs were used to advance refund the series 2007A bonds and to refund a portion of the series 2007B bonds. On October 15, 2013 the District issued \$6,955,000 General Obligation Note Series 2013. The note pays interest of 2.25% due on a semi-annual basis. The proceeds of the note net of costs were used to pay public and private debts.

CONNEAUT SCHOOL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE I – LONG-TERM DEBT (CONTINUED)

The following summarizes the issuances and payments made during the June 30, 2020 year-end:

	<i>Beginning Balance</i>	<i>Issued</i>	<i>Retired</i>	<i>Ending Balance</i>
Bond Series 2007B	\$ 16,555,000	\$ -	\$ (220,000)	\$ 16,335,000
Bond Series 2012	4,245,000	-	(800,000)	3,445,000
Bond Series 2015	9,525,000	-	(55,000)	9,470,000
Notes Series 2013	1,305,000	-	(1,305,000)	-
TOTAL	\$ 31,630,000	\$ -	\$ (2,380,000)	\$ 29,250,000

The following summarizes the maturities and interest payments as of June 30, 2020:

<i>Year ended June 30,</i>	<i>Interest</i>	<i>Principal</i>	<i>Total</i>
2021	\$ 1,185,351	\$ 2,505,000	\$ 3,690,351
2022	1,077,691	2,605,000	3,682,691
2023	962,566	2,725,000	3,687,566
2024	840,563	2,845,000	3,685,563
2025	703,138	3,015,000	3,718,138
2026-2030	11,881,738	6,700,000	18,581,738
2031-2035	14,772,403	4,510,000	19,282,403
2036	73,322	4,345,000	4,418,322
TOTAL	\$ 31,496,772	\$ 29,250,000	\$ 60,746,772

Long-term liability activity for the year ended June 30, 2020 is as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>	<i>Amount Due Within One Year</i>
<i>Governmental Activities:</i>					
Long-term debt	\$ 31,630,000	\$ -	\$ (2,380,000)	\$ 29,250,000	\$ 2,505,000
Deferred amounts:					
Discount/Premium	765,920	-	(50,721)	715,199	50,721
Compensated absences	1,115,699	37,052	-	1,152,751	-
Net OPEB liability	16,425,165	112,305	-	16,537,470	-
Net pension liability	45,556,712	-	(84,017)	45,472,695	-
TOTAL	\$ 95,493,496	\$ 149,357	\$ (2,514,738)	\$ 93,128,115	\$ 2,555,721
<i>Business-Type Activities:</i>					
Compensated absences	\$ 4,956	\$ 1,993	\$ -	\$ 6,949	\$ -

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE I – LONG-TERM DEBT (CONTINUED)

Compensated Absences

District employees are permitted to accumulate unused sick and personal time. Contract provisions require payment for this benefit upon retirement, death or disability based on a negotiated formula. At June 30, 2020, compensated absences were \$1,152,751 and \$6,949, for the General Fund and Food Service Fund, respectively.

Employees are allowed unlimited accumulation of unused sick days and upon retirement can elect to receive compensation as follows:

Classification of <u>Employees</u>	Sick Pay <u>Rate/Day</u>
Administration	\$100
Professional education	60-100
Support staff	50
Confidential secretaries	60
Food service managers	50

All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

The General Fund typically is used to liquidate prior years' liability for compensated absences, pensions, and other post-employment benefit obligations.

NOTE J – PENSION PLAN

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees in the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011 after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

The contribution policy is set up by state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 33.43% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,559,714 for the year ended June 30, 2020.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance (OPEB). Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2020 for pension and OPEB benefits was \$2,732,540.

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

At June 30, 2020, the District reported a liability of \$45,472,695 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0972%, which was an increase of 0.0023% from its proportion measured as of June 30, 2019. The net pension liability will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the General Fund.

CONNEAUT SCHOOL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

For the year ended June 30, 2020, the District recognized pension expense of \$4,709,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ 250,407	\$ 1,507,166
Changes in assumptions	434,700	-
Net difference between projected and actual investments earnings	-	130,261
Changes in proportions	815,000	574,000
Difference between employer contributions and proportionate share of total contributions	-	101,995
Contributions subsequent to the measurement date	4,559,714	-
TOTAL	\$ 6,059,821	\$ 2,313,422

\$4,559,714 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the year ended June 30,:

<i>Year Ended</i>	
2021	\$ (203,329)
2022	(203,329)
2023	(203,329)
2024	(203,328)
TOTAL	\$ (813,315)

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability at June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.25%, including inflation at 2.75%.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Global public entity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure /MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
TOTAL	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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 benefit payments to determine the total pension liability.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE J – PENSION PLAN (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
District's proportionate share of the net pension liability	\$ 56,641,236	\$ 45,472,695	\$ 36,015,683

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Payables to the Pension Plan

At June 30, 2020, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$1,780,572. This amount represents the District's contractually obligated contributions for wages earned during the 2020 year-end. The balance will be paid in the 2021 year-end.

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN

School District OPEB Plan

General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, Conneaut School District Postemployment Benefit Plan, provides OPEB benefits to all eligible retirees who qualify and elect to participate. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides medical, prescription drug, dental, vision, and life insurance for eligible retirees based on specific eligibility requirements. Coverage, premium sharing, and life insurance amounts vary by employee classification.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Employees Covered by Benefit Terms

Membership in the plan consisted of the following at July 1, 2018, the date of the last actuarial valuation.

Active participants	214
Vested former participants	30
Retired participants	105
TOTAL	349

Total OPEB Liability

The District's total OPEB liability of \$14,470,180 was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	Composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
Discount rate	3.36%
Healthcare cost trend rates	6.0% in 2018 and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Retiree's share of benefit-related costs	Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate

The discount rate was based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2019.

Separate mortality rates are assumed for preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2018 valuation were based on census information at that time and is believed to be representative of the population for the 2019-2020 school year.

CONNEAUT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Changes in the Total OPEB liability

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
BALANCES AT JULY 1, 2018	\$ 14,446,548
Changes for the year:	
Service cost	612,928
Interest	441,521
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(581,599)
Benefit payments	(449,218)
Net changes	<u>23,632</u>
BALANCES AT JULY 1, 2019	<u>\$ 14,470,180</u>

There were no changes in the benefit terms.

Changes of assumptions reflect the discount rate changed from 2.98% to 3.36%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.36 percent) or 1-percentage -point higher (4.36 percent) than the current discount rate:

	<u>1% Decrease 2.36%</u>	<u>Current Rate 3.36%</u>	<u>1% Increase 4.36%</u>
Total OPEB liability (asset)	\$ 16,061,736	\$ 14,470,180	\$ 13,065,867

CONNEAUT SCHOOL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
Total OPEB liability (asset)	\$ 12,516,858	\$ 14,470,180	\$ 16,823,088

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$712,691. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 586,187
Changes in assumptions	40,932	1,096,995
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion	-	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	516,958	-
TOTAL	\$ 557,890	\$ 1,683,182

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

\$516,958 reported as deferred outflows of resources related to the OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended 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:

<u>Year Ended</u>	
2021	\$ (341,758)
2022	(341,758)
2023	(341,758)
2024	(341,760)
2025	(192,133)
Thereafter	(83,083)
TOTAL	\$ (1,642,250)

PSERS OPEB Plan

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance, which is a governmental cost sharing, multiple-employer other OPEB for all eligible retirees who qualify and elect to participate. Employer contributions rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019 there were no assumed future benefit increase to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$114,504 for the year ended June 30, 2020.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the OPEB obligation and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2020 for pension and OPEB benefits was \$2,732,540.

CONNEAUT SCHOOL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

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

At June 30, 2020, the District reported a liability of \$2,067,290 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.0972 percent, which was an increase of 0.0023 from its proportion measured as of June 30, 2019. The net OPEB obligation will be liquidated through future contributions to PSERS at statutory rates from the General Fund.

For the year ended June 30, 2020, the District recognized OPEB expense of \$100,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ 11,623	\$ -
Changes in assumptions	68,494	61,437
Net difference between projected and actual earnings on OPEB plan investments	3,481	-
Changes in proportion	42,000	37,000
Difference between employer contributions and proportionate share of total contributions	-	3,136
Contributions subsequent to the measurement date	114,504	-
TOTAL	\$ 240,102	\$ 101,573

\$114,504 reported as deferred outflows of resources related to the OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended 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:

<i>Year Ended</i>	
2021	\$ 6,006
2022	6,006
2023	6,006
2024	6,007
TOTAL	\$ 24,025

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Assumptions:

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment rate of return – 2.79% – S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS's experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Health Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<i>OPEB -Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
TOTAL	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy set contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB's plan fiduciary net position was not projected to be sufficient to met projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

CONNEAUT SCHOOL DISTRICT NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE K – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

The following presents the System net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 2,126,515,000	\$ 2,126,842,000	\$ 2,127,106,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage point higher (3.79%) than the current rate:

	<u>1% Decrease 1.79%</u>	<u>Current Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District's proportionate share of the net OPEB liability	\$ 2,355,094	\$ 2,067,290	\$ 1,828,773

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Payables Related to the Plan

At June 30, 2020, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$1,780,572. This amount represents the District's contractually obligated contributions for wages earned during the 2020 year-end. The balance will be paid in the 2021 year-end.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE L – HEALTH INSURANCE CONSORTIUM

The District is a member of a health care consortium (the Consortium). The Consortium was formed on with the intention to provide medical benefits on a collective basis and to provide coverage for school district employees. The Consortium is self-funded and is administered by a healthcare provider for an administrative fee. The District believes a savings of insurance expense will result due to a larger group of insured individuals. Each participating school district makes monthly payments to the Consortium. The Consortium then reimburses a third-party payor for payments made to medical service providers for allowable services provided to eligible individuals covered under the Consortium umbrella. Healthcare costs totaled \$3,650,913 for fiscal year 2020. At June 30, 2020, the District's investment was \$67,533, which represents the District's portion of the consortium fund balance at year-end.

NOTE M – CONTINGENT LIABILITIES

Grant Programs

The District participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

A significant portion of revenue from state sources consists of a basic instructional subsidy received from the Commonwealth. The District is audited by the Auditor General's Office of the Commonwealth and from that audit the subsidy could be adjusted. The District's policy is to record adjustments, if any, in the year the Auditor General's audit is completed.

NOTE N – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2020 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE O – TAX ABATEMENT

During the 2017-2018 school year, the District approved a real estate tax abatement program with the Economic Progress Alliance to forego real estate taxes through the 2026-2027 school year. The Economic Progress Alliance of Crawford County has been approved as a Keystone Opportunity Zone which allows for any qualifying business in that zone to receive tax benefits including reductions of state and local taxes. There are certain provisions including that the business(es) must stay in the zone for the entire term of the agreement. Any business(es) that do not meet all of the requirements of the agreement will be subject to pay any real estate taxes it would have been subject to. As of June 30, 2020, there was one business in the zone taking advantage of the abatement. The effects on the financial statements are not readily determinable.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE P – ECONOMIC UNCERTAINTIES

Due to the COVID-19 outbreak, the District has experienced unprecedented interruption in its operations including, but not limited to, disruption to the delivery of traditional schooling and daily business management. While the disruption is considered to be temporary, there is still uncertainty related to the total financial impact and duration of the outbreak. Additionally, the District may be subject to mandated closings without warning. While there has been no material decline in funding received from state or federal sources, there is the potential for such. The District is continuing to monitor and implement best practices to ensure the financial health of the District. At the date of the financial statements, the financial impact cannot be reasonably estimated.

NOTE Q – SUBSEQUENT EVENT

During the 2020-2021 year-end, the District issued General Obligation Bonds in the amount of \$9,730,000 for a refunding of the General Obligation Bonds, Series of 2015.

CONNEAUT SCHOOL DISTRICT**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
District's proportion of the net pension liability	0.0972%	0.0949%	0.0967%	0.0975%	0.0976%	0.1003%
District's proportionate share of the net pension liability	\$ 45,472,695	\$ 45,556,712	\$ 47,760,545	\$ 48,318,000	\$ 42,276,000	\$ 39,700,000
District's covered-employee payroll	\$ 13,410,160	\$ 12,778,036	\$ 12,875,086	\$ 12,626,661	\$ 12,556,613	\$ 12,797,440
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	339.09%	356.52%	370.95%	382.67%	336.68%	310.22%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Notes to Schedule:

The District is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

The data provided in this schedule is based as of the measurement date of PSERS' net pension liability, which is as of the beginning of the District's fiscal year.

See accompanying notes.

CONNEAUT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE PENSION PLAN

LAST TEN FISCAL YEARS

	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Contractually required contribution	\$ 4,559,714	\$ 4,352,293	\$ 4,065,749	\$ 3,659,833	\$ 3,176,507	\$ 2,593,170
Contributions in relation to the contractually required contribution	<u>4,559,714</u>	<u>4,352,293</u>	<u>4,065,749</u>	<u>3,659,833</u>	<u>3,176,507</u>	<u>2,593,170</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 13,631,432	\$ 13,410,160	\$ 12,778,036	\$ 12,875,086	\$ 12,626,661	\$ 12,556,613
Contributions as a percentage of covered-employee payroll	33.45%	32.46%	31.82%	28.43%	25.16%	20.65%

Notes to Schedule:*Changes of benefits terms:*

With the passage of Act 5 class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in assumptions:

None.

Notes:

The District is required to present the information for the last ten fiscal years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

See accompanying notes.

CONNEAUT SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

	<i>2020</i>	<i>2019</i>	<i>2018</i>
TOTAL OPEB LIABILITY			
Service cost	\$ 612,928	\$ 586,099	\$ 662,529
Interest	441,521	467,436	383,103
Changes of benefit terms	-	(6,075)	-
Differences between expected and actual experience	-	(820,663)	-
Changes of assumptions	(581,599)	57,304	(1,047,342)
Benefit payments	(449,218)	(404,796)	(336,412)
NET CHANGE IN TOTAL OPEB LIABILITY	23,632	(120,695)	(338,122)
TOTAL OPEB LIABILITY - BEGINNING	14,446,548	14,567,243	14,905,365
TOTAL OPEB LIABILITY - ENDING	\$ 14,470,180	\$ 14,446,548	\$ 14,567,243
Covered-employee payroll	\$ 11,959,429	\$ 11,959,429	\$ 11,764,604
District's net OPEB liability as a percentage of covered-employee payroll	120.99%	120.80%	123.82%

Notes to Schedule:

Changes of assumptions: The discount rate changed from 2.98% to 3.36%.

Changes of benefit terms: None.

The District is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

See accompanying notes.

CONNEAUT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OPEB LIABILITY LAST TEN FISCAL YEARS

	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
District's proportion of the net OPEB liability	0.0972%	0.0949%	0.0967%	0.0975%
District's proportionate share of the net OPEB liability	\$ 2,067,290	\$ 1,978,617	\$ 1,970,177	\$ 2,100,000
District's covered-employee payroll	\$ 13,410,160	\$ 12,778,036	\$ 12,875,086	\$ 12,626,661
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.42%	15.48%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.73%	5.47%

Note to Schedule:

The District is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

The data provided in this schedule is based as of the measurement date of PSERS' net OPEB liability, which is as of the beginning of the District's fiscal year.

See accompanying notes.

CONNEAUT SCHOOL DISTRICTSCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE PSERS OPEB PLAN
LAST TEN FISCAL YEARS

	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>	<i>2015</i>
Contractually required contribution	\$ 114,504	\$ 110,810	\$ 106,319	\$ 104,030	\$ 106,731	\$ 113,847
Contributions in relation to the contractually required contribution	114,504	110,810	106,319	104,030	106,731	113,847
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 13,631,432	\$ 13,410,160	\$ 12,778,036	\$ 12,875,086	\$ 12,626,661	\$ 12,556,613
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%	0.81%	0.85%	0.91%

Notes to Schedule:*Changes of benefits terms:*

None.

Changes in assumptions:

The Discount Rate decreased from 2.98% to 2.79%.

Notes:

The District is required to present the information for the last ten fiscal years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

See accompanying notes.

CONNEAUT SCHOOL DISTRICT
 ACTIVITY FUNDS
 SCHEDULE OF FIDUCIARY NET POSITION
 JUNE 30, 2020

	<i>Conneaut Lake Middle School</i>	<i>Conneaut Area High School</i>	<i>Conneaut Valley Middle School</i>	<i>Total</i>
ASSETS				
Cash	\$ 8,962	\$ 55,130	\$ 15,249	\$ 79,341
LIABILITIES				
Due to student groups	\$ 8,962	\$ 55,130	\$ 15,249	\$ 79,341

See independent auditor's report.

STATISTICAL SECTION

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STATISTICAL SECTION

The statistical section of the Conneaut School District's Comprehensive Annual Financial Report presents detailed information which is designed to expand and provide context to the information provided in the financial statements.

<i>Contents</i>	<i>Page Numbers</i>
Financial Trends	61-74
This section takes many of the financial statements presented in the audited financial statements and presents the data for a ten year period to allow the reader to understand how the District's financial performance has evolved over time.	
Revenue Capacity	75-82
This section contains information to help the reader assess the District's most significant revenue source, which is the property tax.	
Debt Capacity	83-86
This section presents information to assist the reader with interpretation of the District's current debt levels and its ability to incur future debt.	
Demographic and Economic Information	87-90
This section presents various economic and demographic indicators over time to assist the reader in the analyzation of the District's external environment.	
Operating Information	91-94
This section presents information on the District's enrollment and staffing to assist the reader in the analyzation of the District's operating environment.	

Conneaut School District
Schedule of Net Position by Component
Fiscal Years Ended June 30, 2011 through 2020
Unaudited

	2011	2012	2013
Governmental activities			
Net investment in capital assets	342,283	341,184	233,683
Restricted:			
Restricted donations	-	-	-
Capital projects	2,791,266	2,733,856	2,115,197
Unrestricted	6,802,578	7,057,085	7,213,453
Total governmental activities net position	<u>9,936,127</u>	<u>10,132,125</u>	<u>9,562,333</u>
Business-type activities			
Net investment in capital assets	48,719	34,832	21,318
Unrestricted	146,715	106,289	25,190
Total business-type activities net position	<u>195,434</u>	<u>141,121</u>	<u>46,508</u>
Total primary government			
Net investment in capital assets	391,002	376,016	255,001
Restricted:			
Restricted donations	-	-	-
Capital projects	2,791,266	2,733,856	2,115,197
Unrestricted	6,949,293	7,163,374	7,238,643
Total governmental activities net position	<u>10,131,561</u>	<u>10,273,246</u>	<u>9,608,841</u>

Notes:

The District appointed a new audit firm beginning with the 2015-2016 year. Accordingly, some classifications were changed at the request of the auditors.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
466,848	254,570	(6,156,762)	(4,550,021)	(1,620,788)	530,739	3,945,862
-	-	-	-	-	-	37,523
1,308,686	1,134,567	-	-	-	2,739,881	2,808,855
<u>7,099,314</u>	<u>(29,639,996)</u>	<u>(28,237,365)</u>	<u>(29,530,892)</u>	<u>(45,446,575)</u>	<u>(47,825,244)</u>	<u>(47,598,866)</u>
<u>8,874,848</u>	<u>(28,250,859)</u>	<u>(34,394,127)</u>	<u>(34,080,913)</u>	<u>(47,067,363)</u>	<u>(44,554,624)</u>	<u>(40,806,626)</u>
8,597	3,749	128,055	92,658	54,743	19,637	28,058
<u>(27,226)</u>	<u>(94,324)</u>	<u>(65,656)</u>	<u>(114,270)</u>	<u>(155,094)</u>	<u>(90,908)</u>	<u>(80,727)</u>
<u>(18,629)</u>	<u>(90,575)</u>	<u>62,399</u>	<u>(21,612)</u>	<u>(100,351)</u>	<u>(71,271)</u>	<u>(52,669)</u>
475,445	258,319	(6,028,707)	(4,457,363)	(1,566,045)	550,376	3,973,920
-	-	-	-	-	-	37,523
1,308,686	1,134,567	-	-	-	2,739,881	2,808,855
<u>7,072,088</u>	<u>(29,734,320)</u>	<u>(28,303,021)</u>	<u>(29,645,162)</u>	<u>(45,601,669)</u>	<u>(47,916,152)</u>	<u>(47,679,593)</u>
<u>8,856,219</u>	<u>(28,341,434)</u>	<u>(34,331,728)</u>	<u>(34,102,525)</u>	<u>(47,167,714)</u>	<u>(44,625,895)</u>	<u>(40,859,295)</u>

Conneaut School District
Schedule of Changes in Net Position
Fiscal Years Ended June 30, 2011 through 2020
Unaudited

	2011	2012	2013
Expenses			
Governmental activities			
Instruction	19,523,181	17,461,429	17,319,892
Instructional student support	1,915,878	2,004,318	1,965,773
Administrative and financial support	3,667,118	3,348,931	3,209,523
Operation and maintenance of plant	2,890,240	2,601,415	2,695,644
Student transportation	3,534,993	3,292,997	3,887,725
Student activities	821,710	790,509	645,150
Community services	13,539	9,942	16,399
Interest on long-term debt	2,957,627	2,913,146	3,109,986
Facilities acquisition and improvements	-	-	-
Unallocated depreciation	-	1,555,247	1,713,623
Total governmental activities	<u>35,324,286</u>	<u>33,977,934</u>	<u>34,563,715</u>
Business-type activities			
Food service	1,283,200	1,268,942	1,170,744
Total primary government activities	<u>36,607,486</u>	<u>35,246,876</u>	<u>35,734,459</u>
Program revenues			
Governmental activities			
Charges for services			
Instruction	3,179	49,527	5,845
Operation and maintenance of plant	-	-	-
Student activities	100,143	102,087	38,272
Pupil transportation	-	-	-
Operating grants and contributions	11,711,504	7,783,150	8,824,695
Capital grants and contributions	-	-	-
Total governmental program revenue	<u>11,814,826</u>	<u>7,934,764</u>	<u>8,868,812</u>
Business-type activities			
Charges for food services	466,461	446,771	369,569
Operating grants and contributions	777,359	767,183	704,875
Total business-type program revenues	<u>1,243,820</u>	<u>1,213,954</u>	<u>1,074,444</u>
Total primary government program revenues	<u>13,058,646</u>	<u>9,148,718</u>	<u>9,943,256</u>
Net primary government revenues (expenses)	<u>(23,548,840)</u>	<u>(26,098,158)</u>	<u>(25,791,203)</u>

2014	2015	2016	2017	2018	2019	2020
18,578,882	19,086,314	21,111,827	20,882,412	21,473,663	20,951,886	19,740,183
2,018,065	2,572,805	4,011,970	3,637,000	3,749,503	3,797,319	3,339,483
3,547,919	3,745,145	3,225,608	2,815,994	3,263,703	2,923,595	2,719,413
2,863,315	2,923,682	3,922,648	3,829,434	4,110,745	4,111,255	4,020,191
3,833,843	4,064,089	3,833,474	3,832,054	3,854,660	3,866,599	3,710,885
686,489	732,284	798,151	730,304	770,880	770,641	659,640
23,025	14,185	21,276	15,317	22,486	17,006	11,838
2,686,356	2,417,358	1,679,327	1,632,696	1,661,438	1,331,639	1,273,616
-	-	-	-	-	25,428	-
1,570,744	1,647,075	-	-	-	-	-
35,808,638	37,202,937	38,604,281	37,375,211	38,907,078	37,795,368	35,475,249
1,224,174	1,139,910	1,151,084	1,137,928	1,206,842	1,197,979	1,281,424
37,032,812	38,342,847	39,755,365	38,513,139	40,113,920	38,993,347	36,756,673
6,095	6,541	9,809	7,153	9,585	98,985	24,867
-	-	-	-	-	45,000	-
32,476	32,821	39,848	34,950	31,897	30,101	32,141
-	-	-	-	-	3,828	-
8,759,660	9,272,897	20,398,377	21,411,461	21,321,311	10,397,431	10,307,976
-	-	5,904	-	-	-	-
8,798,231	9,312,259	20,453,938	21,453,564	21,362,793	10,575,345	10,364,984
395,540	353,912	340,197	311,529	327,047	296,496	125,857
735,589	713,044	748,716	759,525	789,426	796,021	1,172,959
1,131,129	1,066,956	1,088,913	1,071,054	1,116,473	1,092,517	1,298,816
9,929,360	10,379,215	21,542,851	22,524,618	22,479,266	11,667,862	11,663,800
(27,103,452)	(27,963,632)	(18,212,514)	(15,988,521)	(17,634,654)	(27,325,485)	(25,092,873)

Conneaut School District
Schedule of Changes in Net Position (Concluded)
Fiscal Years Ended June 30, 2010 through 2019
Unaudited

General revenues	2011	2012	2013
Governmental activities			
Property taxes	13,855,667	13,752,474	13,741,340
Per capita, realty transfer, earned income taxes	1,689,695	1,755,751	661,535
Grants, subsidies, and contributions not restricted	9,377,495	10,554,144	10,554,145
Investment earnings	63,947	59,970	49,939
Gain (loss) on disposal of assets	-	-	(420)
Miscellaneous income	234,016	46,192	56,615
Amortization of net bond premium	77,029	70,637	61,957
Transfers (net)	-	-	-
Total general revenue - governmental activities	<u>25,297,849</u>	<u>26,239,168</u>	<u>25,125,111</u>
Business-type activities			
Investment earnings	184	441	191
Miscellaneous income	868	234	1,496
Transfers (net)	-	-	-
Total general revenue - business-type activities	<u>1,052</u>	<u>675</u>	<u>1,687</u>
Total general revenue - primary government	<u>25,298,901</u>	<u>26,239,843</u>	<u>25,126,798</u>
Change in net position	<u>1,750,061</u>	<u>141,685</u>	<u>(664,405)</u>
Net position, beginning of year, as originally stated	7,752,973	10,131,561	10,273,246
Prior period restatements	-	-	-
Net position, beginning of year, as restated	<u>8,381,500</u>	<u>10,131,561</u>	<u>10,273,246</u>
Net position, end of year	<u>10,131,561</u>	<u>10,273,246</u>	<u>9,608,841</u>

Notes:

The District appointed a new audit firm beginning with the 2015-2016 year. Accordingly, some classifications were changed at the request of the auditors.

Beginning with the 2018-2019 year, certain State subsidies were reclassified from program revenues to general revenues due to their unrestricted nature.

2014	2015	2016	2017	2018	2019	2020
14,087,247	14,359,120	13,564,674	13,907,544	13,829,848	13,051,193	12,958,749
1,788,850	1,761,131	1,728,598	1,677,149	1,724,876	3,124,643	3,210,479
10,713,167	10,713,142	10,507	49,998	26,795	12,185,046	12,308,538
48,270	51,530	41,118	49,592	176,591	430,742	300,239
6,809	178,159	-	-	-	-	-
152,401	14,365	704,020	557,309	811,537	202,366	80,258
103,606	98,524	-	-	-	-	-
2,817	-	-	(6,731)	(11,286)	(133,610)	-
<u>26,903,167</u>	<u>27,175,971</u>	<u>16,048,917</u>	<u>16,234,861</u>	<u>16,558,361</u>	<u>28,860,380</u>	<u>28,858,263</u>
158	189	207	204	344	932	1,210
283	819	-	-	-	-	-
-	-	-	6,731	11,286	133,610	-
<u>441</u>	<u>1,008</u>	<u>207</u>	<u>6,935</u>	<u>11,630</u>	<u>134,542</u>	<u>1,210</u>
<u>26,903,608</u>	<u>27,176,979</u>	<u>16,049,124</u>	<u>16,241,796</u>	<u>16,569,991</u>	<u>28,994,922</u>	<u>28,859,473</u>
<u>(199,844)</u>	<u>(786,653)</u>	<u>(2,163,390)</u>	<u>253,275</u>	<u>(1,064,663)</u>	<u>1,669,437</u>	<u>3,766,600</u>
9,608,841	8,856,219	(28,341,434)	(34,331,728)	(34,102,525)	(47,167,714)	(44,625,895)
<u>(552,778)</u>	<u>(36,411,000)</u>	<u>(3,826,904)</u>	<u>(24,072)</u>	<u>(12,000,526)</u>	<u>872,382</u>	<u>-</u>
<u>9,056,063</u>	<u>(27,554,781)</u>	<u>(32,168,338)</u>	<u>(34,355,800)</u>	<u>(46,103,051)</u>	<u>(46,295,332)</u>	<u>(44,625,895)</u>
<u>8,856,219</u>	<u>(28,341,434)</u>	<u>(34,331,728)</u>	<u>(34,102,525)</u>	<u>(47,167,714)</u>	<u>(44,625,895)</u>	<u>(40,859,295)</u>

Conneaut School District
Schedule of Fund Balances
Fiscal Years Ended June 30, 2011 through 2020
Unaudited

	2011	2012	2013
General fund			
Nonspendable	128,496	174,535	111,399
Restricted	15,003	20,783	12,387
Committed	-	-	-
Assigned	4,353,834	5,749,514	8,284,318
Unassigned	2,900,000	2,900,000	2,900,000
Total general fund balance	7,397,333	8,844,832	11,308,104
Capital projects fund			
Nonspendable	-	-	-
Restricted	2,647,621	2,582,230	1,969,632
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total capital projects fund balance	2,647,621	2,582,230	1,969,632
Debt service fund			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	5,911
Total debt service fund balance	-	-	5,911
Non-major governmental funds			
Nonspendable	-	-	-
Restricted	128,642	130,843	133,178
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance - all non-major funds	128,642	130,843	133,178
Total - governmental funds			
Nonspendable	128,496	174,535	111,399
Restricted	2,791,266	2,733,856	2,115,197
Committed	-	-	-
Assigned	4,353,834	5,749,514	8,284,318
Unassigned	2,900,000	2,900,000	2,900,000
Total fund balance - all governmental funds	10,173,596	11,557,905	13,416,825

Notes:

The District appointed a new audit firm beginning with the 2015-2016 year. Accordingly, some classifications were changed at the request of the auditors.

2014	2015	2016	2017	2018	2019	2020
146,640	211,559	279,829	133,745	546,217	405,304	396,400
16,634	27,929	14,588	23,596	32,251	38,884	37,523
-	-	-	8,435,685	5,893,370	5,893,370	8,628,052
11,189,272	10,510,793	11,162,624	3,163,742	4,146,881	4,613,588	-
996,890	2,900,000	2,900,000	3,000,000	2,966,704	2,225,481	3,637,041
<u>12,349,436</u>	<u>13,650,281</u>	<u>14,357,041</u>	<u>14,756,768</u>	<u>13,585,423</u>	<u>13,176,627</u>	<u>12,699,016</u>
-	-	-	-	-	-	-
1,156,541	969,084	-	-	-	2,700,997	2,808,855
-	-	944,655	932,332	865,529	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,156,541</u>	<u>969,084</u>	<u>944,655</u>	<u>932,332</u>	<u>865,529</u>	<u>2,700,997</u>	<u>2,808,855</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,208	-	-	-	-	-
<u>-</u>	<u>6,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
135,511	137,554	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>135,511</u>	<u>137,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
146,640	211,559	279,829	133,745	546,217	405,304	396,400
1,308,686	1,134,567	14,588	23,596	32,251	2,739,881	2,846,378
-	-	944,655	9,368,017	6,758,899	8,594,367	8,628,052
11,189,272	10,510,793	11,162,624	3,163,742	4,146,881	4,613,588	-
996,890	2,900,000	2,900,000	3,000,000	2,966,704	2,225,481	3,637,041
<u>13,641,488</u>	<u>14,763,127</u>	<u>15,301,696</u>	<u>15,689,100</u>	<u>14,450,952</u>	<u>15,877,624</u>	<u>15,507,871</u>

Conneaut School District
Schedule of Changes in Fund Balances - Governmental Funds
Fiscal Years Ended June 30, 2011 through 2020
Unaudited

	2011	2012	2013
Revenues			
Local sources	15,796,674	16,041,992	16,480,241
State sources	17,113,121	17,536,687	17,641,865
Federal sources	3,063,960	427,022	443,232
Total revenues	35,973,755	34,005,701	34,565,338
Expenditures			
Instruction	18,653,116	17,030,710	17,196,613
Support services	11,381,812	11,003,927	11,512,105
Non-instructional services	782,688	786,043	674,900
Facilities acquisition and improvements	179,472	66,122	614,340
Debt service - interest	2,626,287	2,561,050	2,253,546
Debt service - principal	1,588,224	1,365,277	1,084,907
Miscellaneous	-	-	-
Total expenditures	35,211,599	32,813,129	33,336,411
Excess of revenues over (under) expenditures	762,156	1,192,572	1,228,927
Other financing sources (uses)			
Sale of capital assets	450	-	1,461
Proceeds from long-term debt	-	-	7,715,000
Refund of prior year expenditures	466,577	202,043	579,040
Transfers - in	-	-	-
Other income	-	-	-
Debt service - interest	-	-	-
Debt service - principal	-	-	-
Bond discount	-	-	(46,290)
Payment to bond escrow agent	-	-	(7,590,055)
Refund of prior year revenue	(5,436)	(13,953)	(7,606)
Interfund transfers	-	-	-
Total other financing sources (uses)	461,591	188,090	651,550
Net change in fund balance	1,223,747	1,380,662	1,880,477
Increase (decrease) in reserves	15,598	3,647	(21,557)
Fund balance, beginning of year, as originally stated	8,934,251	10,173,596	11,557,905
Prior period restatements	-	-	-
Fund balance, beginning of year, as restated	8,934,251	10,173,596	11,557,905
Fund balance, end of year	10,173,596	11,557,905	13,416,825
Debt Service as a percentage of noncapital expenditures	12.03%	11.99%	10.20%

Notes:

The District appointed a new audit firm beginning with the 2015-2016 year. Accordingly, some classifications were changed at the request of the auditors.

2014	2015	2016	2017	2018	2019	2020
16,709,061	15,332,007	15,966,562	16,299,842	16,937,610	16,619,315	16,662,382
18,435,899	19,230,202	19,406,497	20,418,949	20,452,656	20,854,810	20,971,829
386,925	1,551,526	1,004,161	993,755	868,655	1,772,667	1,644,685
35,531,885	36,113,735	36,377,220	37,712,546	38,258,921	39,246,792	39,278,896
18,405,202	18,154,620	18,190,380	19,329,676	19,856,446	20,178,127	21,242,348
12,066,316	12,500,124	13,286,196	13,161,346	13,509,719	13,420,980	13,204,086
694,357	699,324	750,518	772,679	775,627	783,850	730,831
818,377	1,648,534	197,424	16,850	189,628	549,263	774,542
2,334,722	2,354,062	-	-	-	1,325,688	1,267,665
2,112,428	1,530,192	-	-	-	2,315,000	2,380,000
-	-	-	-	-	6,805	49,193
36,431,402	36,886,856	32,424,518	33,280,551	34,331,420	38,579,713	39,648,665
(899,517)	(773,121)	3,952,702	4,431,995	3,927,501	667,079	(369,769)
6,809	14,365	186,500	2,930	12,360	20,821	16
6,955,000	11,133,845	-	-	-	-	-
387,472	96,091	-	-	-	-	-
2,817	-	-	-	-	-	-
-	-	246,784	7,883	2,615	-	-
-	-	(1,622,391)	(1,601,219)	(1,517,794)	-	-
-	-	(2,390,036)	(2,446,637)	(3,765,219)	-	-
-	(111,822)	-	-	-	-	-
(6,066,639)	(9,243,644)	-	-	-	-	-
(172,835)	-	(10,521)	(817)	(1,809)	-	-
-	-	(2,403)	(6,731)	(11,286)	(133,610)	-
1,112,624	1,888,835	(3,592,067)	(4,044,591)	(5,281,133)	(112,789)	16
213,107	1,115,714	360,635	387,404	(1,353,632)	554,290	(369,753)
11,556	5,925	-	-	-	-	-
13,416,825	13,641,488	14,763,127	15,301,696	15,689,100	14,450,952	15,877,624
-	-	177,934	-	115,484	872,382	-
13,416,825	13,641,488	14,941,061	15,301,696	15,804,584	15,323,334	15,877,624
13,641,488	14,763,127	15,301,696	15,689,100	14,450,952	15,877,624	15,507,871
12.49%	11.02%	12.45%	12.17%	15.47%	9.57%	9.38%

Conneaut School District
Schedule of Revenues by Source
Fiscal Years Ended June 30, 2011 through 2020
Unaudited

	2011	2012	2013
Local revenues			
Real estate tax - current	11,303,606	11,455,279	11,515,549
Per capita tax - current	92,044	91,316	91,043
Earned income tax	1,343,340	1,456,381	1,722,892
Real estate tax - delinquent	1,407,338	1,662,714	1,467,747
Per capita tax - delinquent	17,201	14,804	12,930
Revenue from intermediary sources	1,255,783	1,064,793	1,495,871
Investment earnings	63,377	59,480	49,200
Other local revenue	313,985	237,225	125,009
Total local revenues	<u>15,796,674</u>	<u>16,041,992</u>	<u>16,480,241</u>
State revenues			
Basic instructional subsidy	9,377,495	10,554,145	10,554,145
Special education subsidy	1,678,418	1,607,064	1,666,785
Transportation subsidy	2,016,680	2,075,638	2,047,406
Retirement/social security subsidies	1,069,000	1,193,386	1,347,147
Rental reimbursements	1,129,026	761,699	705,353
Other state revenue	1,842,502	1,344,755	1,321,029
Total state revenues	<u>17,113,121</u>	<u>17,536,687</u>	<u>17,641,865</u>
Federal revenues			
Title I, IIA, IV	368,934	353,009	386,139
ACCESS	123,627	62,658	56,532
Other federal revenue	2,571,399	11,355	561
Total federal revenues	<u>3,063,960</u>	<u>427,022</u>	<u>443,232</u>
Total revenues	<u><u>35,973,755</u></u>	<u><u>34,005,701</u></u>	<u><u>34,565,338</u></u>

2014	2015	2016	2017	2018	2019	2020
11,654,763	11,944,377	12,137,878	12,331,712	12,468,378	13,040,296	13,014,414
89,999	87,284	86,076	86,138	85,300	84,874	81,561
1,582,689	1,545,123	1,628,244	1,580,553	1,626,364	1,489,390	1,450,158
1,781,952	1,575,996	1,430,277	1,601,974	1,701,116	1,192,575	1,344,771
13,320	15,102	14,278	10,458	13,212	13,598	16,394
-	-	437,580	462,034	476,935	-	-
48,061	51,257	41,118	47,668	176,591	430,699	300,173
1,538,277	112,868	191,111	179,305	389,714	367,884	454,910
16,709,061	15,332,007	15,966,562	16,299,842	16,937,610	16,619,315	16,662,382
10,713,167	10,713,142	10,894,170	11,123,420	11,150,939	11,214,363	11,893,539
1,654,478	1,634,010	1,668,790	1,847,280	1,726,329	1,738,704	1,785,203
2,467,902	2,517,433	2,545,347	2,532,542	2,404,880	2,508,637	2,393,619
1,591,203	2,204,592	2,151,355	2,691,117	2,875,564	3,041,129	2,676,943
662,656	637,540	640,213	702,106	720,020	764,753	683,827
1,346,493	1,523,485	1,506,622	1,522,484	1,574,924	1,587,224	1,538,697
18,435,899	19,230,202	19,406,497	20,418,949	20,452,656	20,854,810	20,971,829
328,086	1,501,190	971,296	931,050	830,250	995,879	904,039
58,839	50,336	32,865	62,705	38,405	312,179	315,211
-	-	-	-	-	464,609	425,435
386,925	1,551,526	1,004,161	993,755	868,655	1,772,667	1,644,685
35,531,885	36,113,735	36,377,220	37,712,546	38,258,921	39,246,792	39,278,896

Conneaut School District
Financial Benchmarks
Fiscal Years Ended June 30, 2010 through 2018
Unaudited

	2010	2011	2012	2013
Equalized mills	16.30	16.30	17.10	17.00
State rank (out of 500 with 1 being the highest)	326	294	272	273
Actual instructional expense per student	6,757	6,979	7,071	7,014
State rank (out of 500 with 1 being the highest)	362	382	359	406
Overall expenditures per student	13,120	13,846	13,525	14,019
State rank (out of 500 with 1 being the highest)	255	220	247	244

Source:

Pennsylvania Department of Education, based on data submitted by the District

Notes:

Equalized mills - a standardized millage calculated by dividing a school district's total taxes collected and remitted by its total market value.

Actual instructional expense per student - includes all general fund expenditures as reported on the annual financial report by school districts except those expenditures for health services, transportation, debt service, capital outlay, homebound instruction, early intervention, community/junior college education programs and payments to area vocational-technical schools. For the purposes of this calculation, weighted-average daily membership is used, where half time kindergarten students are weighted at 0.5, elementary (grades 1-6) students are weighted at 1.0 and secondary students (grades 7-12) are weighted at 1.36.

2014	2015	2016	2017	2018
17.20	16.90	16.50	16.80	16.90
270	295	321	303	319
7,814	8,573	8,432	8,893	9,108
320	249	302	278	292
15,219	16,393	16,637	17,630	18,913
194	183	199	194	141

Conneaut School District
 Assessed Values
 Fiscal Years Ended June 30, 2011 through 2020
Unaudited

	2011	2012	2013	2014
Residential/commercial/industrial/agricultural property	274,591,829	277,258,379	278,365,346	280,709,829
Utility property	384,825	388,599	390,157	393,471
Exempt property	46,754,508	47,212,991	47,402,247	47,804,875
Common level ratio	2.78	2.68	2.43	2.55
Total fair market value of taxable property	763,365,285	743,052,456	676,427,791	715,810,064
District tax rate	50.05	50.05	50.05	50.05

Sources:

District records
 Pennsylvania Department of Revenue

Notes:

Breakouts for assessed value by residential, commercial, industrial and agricultural property was not available at the time of this report's preparation; therefore, all taxable assessed value is presented on one line.

2015	2016	2017	2018	2019	2020
282,960,556	283,731,272	287,037,425	290,319,300	293,307,984	298,320,970
396,651	397,734	402,423	407,077	406,427	406,427
48,191,272	48,322,892	48,892,609	48,853,647	44,002,299	43,769,345
2.56	2.71	2.65	2.71	2.61	3.26
724,379,023	768,911,747	760,649,176	786,765,303	765,533,838	972,526,362
50.55	50.55	50.55	50.55	51.55	51.55

Conneaut School District
Property Tax Levies and Collections
Fiscal Years Ended June 30, 2011 through 2020
Unaudited

Year Ended June 30,	Assessed Value	Tax Rate	Gross Tax Levy	Less: Act 1 Reduct.	Net Tax Levy	Tax Collection Within Year of Levy
2011	274,591,829	50.05	13,743,321	970,238	12,773,083	11,446,532
2012	277,258,379	50.05	13,876,782	970,167	12,906,615	11,600,103
2013	278,365,346	50.05	13,932,186	970,131	12,962,055	11,657,297
2014	280,709,829	50.05	14,049,527	970,618	13,078,909	11,798,246
2015	282,960,556	50.55	14,303,656	970,290	13,333,366	12,092,071
2016	283,731,272	50.55	14,342,616	970,736	13,371,880	12,291,830
2017	287,037,425	50.55	14,509,742	970,936	13,538,806	12,481,297
2018	290,319,300	50.55	14,675,641	970,763	13,704,878	12,631,054
2019	293,307,984	51.55	15,120,027	970,703	14,149,324	13,040,296
2020	298,320,970	51.55	15,378,446	971,014	14,407,432	13,306,126

Source:

District Records

Notes:

Act 1 reductions represent State funds received from the Taxpayer Relief Act of 2006, which provides for property tax reduction allocations through the Homestead/Farmstead exemption process.

% of Tax Collection Within Year of Levy	Tax Collections - Delinquent	Total Collected Through June 30, 2020	% of Total Collected Through June 30, 2020
89.61%	1,321,881	12,768,413	99.96%
89.88%	1,301,056	12,901,158	99.96%
89.93%	1,299,210	12,956,506	99.96%
90.21%	1,270,924	13,069,171	99.93%
90.69%	1,231,199	13,323,270	99.92%
91.92%	1,060,715	13,352,545	99.86%
92.19%	1,036,125	13,517,423	99.84%
92.16%	910,699	13,541,753	98.81%
92.16%	667,421	13,707,717	96.88%
92.36%	377,626	13,683,752	94.98%

Conneaut School District
Ten Principal Taxpayers
Unaudited

Taxpayer	2020		
	Assessed Value	Rank	% of Total Assessed Value
J-M Manufacturing	2,395,250	1	0.80%
Sperry Farms, Inc.	1,704,399	2	0.57%
Rolling Fields Nursing Home, Inc.	1,568,458	3	0.53%
Pittsburgh Glass Works, LLC	1,372,000	4	0.46%
Bortnick Dairy, LLC	940,409	5	0.32%
Esmark Realty Associates PA I/II LLP	692,701	6	0.23%
Burns, Brian	662,343	7	0.22%
Haase, Mark	614,334	8	0.21%
Palfund Association	584,200	9	0.20%
Kebert, Larry G	421,448	10	0.14%
Serbian Eastern Orthodox for United States			
Total	10,955,542		3.77%

Source:

District records

2011

Assessed Value	Rank	% of Total Assessed Value
2,972,127	1	1.07%
1,456,580	4	0.53%
1,559,049	3	0.56%
1,825,200	2	0.66%
562,360	8	0.20%
669,793	5	0.24%
421,200	10	0.15%
562,384	7	0.20%
584,200	6	0.21%
459,456	9	0.17%
11,072,349		4.07%

Conneaut School District
 Ten Largest Employers
Unaudited

	2019		
Employer	Employees	Rank	% of Total
Rolling Fields Inc.	424	1	10.57%
Conneaut School District	383	2	9.55%
Vitro Flat Glass, Inc.	307	3	7.66%
Viking Tool & Gage, Inc.	232	5	5.79%
J&M Manufacturing	266	4	6.63%
Molded Fiberglass Companies	166	6	4.14%
Bortnick Construction, Inc.	116	8	2.89%
Conneaut Lake Park Trustees, Inc.	129	7	3.22%
AC School Services, Inc.			
Sperry Farms, Inc.	109	9	2.72%
Bortnick Dairy, LLC	107	10	2.67%

Source:

Berkheimer

Notes:

Counts represent total employees reported on Berkheimer wage reports during a given year, and therefore should not be interpreted as an everyday headcount of employment levels.

Collection of data for this report began in 2018.

2018

Employees	Rank	% of Total
438	1	10.92%
405	2	10.10%
322	3	8.03%
247	4	6.16%
234	5	5.84%
173	6	4.31%
162	7	4.04%
131	8	3.27%
102	9	2.54%
91	10	2.27%

Conneaut School District
Debt Payment Schedule
As of June 30, 2020
Unaudited

Fiscal Year	General Obligation Bonds Series 2007B	General Obligation Bonds Series 2012	General Obligation Bonds Series 2015	Total Principal
2021	1,625,000	825,000	55,000	2,505,000
2022	1,705,000	845,000	55,000	2,605,000
2023	1,795,000	875,000	55,000	2,725,000
2024	1,885,000	900,000	60,000	2,845,000
2025	2,955,000	-	60,000	3,015,000
2026	3,105,000	-	60,000	3,165,000
2027	3,265,000	-	65,000	3,330,000
2028	-	-	65,000	65,000
2029	-	-	70,000	70,000
2030	-	-	70,000	70,000
2031	-	-	75,000	75,000
2032	-	-	75,000	75,000
2033	-	-	80,000	80,000
2034	-	-	80,000	80,000
2035	-	-	4,200,000	4,200,000
2036	-	-	4,345,000	4,345,000
Total	16,335,000	3,445,000	9,470,000	29,250,000

Source:

District records

Conneaut School District
Debt Ratios
As of June 30, 2020
Unaudited

Ratio of Outstanding Debt to Personal Income	2018	2019	2020
Gross Outstanding Debt	\$ 34,761,641	\$ 32,395,920	\$ 29,965,199
Personal Income (using latest year available)	\$ 248,283,000	\$ 248,283,000	\$ 247,932,000
Ratio of Outstanding Debt to Personal Income	14.00%	13.05%	12.09%

Ratio of Outstanding Debt to Market Value

Gross Outstanding Debt	\$ 34,761,641	\$ 32,395,920	\$ 29,965,199
Estimated Market Value	\$ 786,765,303	\$ 765,533,838	\$ 972,526,362
Ratio of Outstanding Debt to Personal Income	4.42%	4.23%	3.08%

Outstanding Debt per Capita

Gross Outstanding Debt	\$ 34,761,641	\$ 32,395,920	\$ 29,965,199
Population (using latest year available)	18,095	18,255	17,840
Outstanding Debt Per Capita	\$ 1,921	\$ 1,775	\$ 1,680

Outstanding Debt per Student

Gross Outstanding Debt	\$ 34,761,641	\$ 32,395,920	\$ 29,965,199
Student enrollment	1,939	1,888	1,834
Outstanding Debt Per Student	\$ 17,928	\$ 17,159	\$ 16,339

Sources:

District records
Pennsylvania Department of Revenue
United States Census data

Note:

Collection of data for this report began in 2018.

Conneaut School District
 Borrowing Base Capacities
 Fiscal Years Ended June 30, 2011 through 2020
Unaudited

	2011	2012	2013
Three-year average of net revenues	34,933,106	35,396,556	35,668,691
Non-electoral debt capacity - 225% of borrowing base	78,599,489	79,642,251	80,254,555
Less: outstanding non-electoral debt	53,023,902	51,408,891	51,006,823
Remaining borrowing capacity (debt margin)	25,575,587	28,233,360	29,247,732
Debt margin percentage	32.54%	35.45%	36.44%

Source:

District records

Notes:

The borrowing base capacity of the District is regulated by the Debt Act, which establishes the debt limits for local government units, including school districts and municipalities. Under the Debt Act, the District may incur debt in an unlimited amount when such debt is approved by a majority of the School District's voters at a municipal, general or primary election. Non-electoral debt, or debt not approved by the District's electorate, plus net lease rental debt may not exceed 225 percent of the School District's borrowing base, as that term is defined in the Debt Act, after the deduction of any authorized exclusion from lease rental and non-electoral debt.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
35,494,882	35,758,773	36,321,266	36,770,221	37,602,586	37,873,200	37,517,993
79,863,485	80,457,239	81,722,849	82,732,997	84,605,819	85,214,700	84,415,484
<u>49,496,983</u>	<u>49,189,740</u>	<u>39,975,654</u>	<u>37,563,786</u>	<u>33,870,000</u>	<u>31,630,000</u>	<u>29,250,000</u>
<u><u>30,366,502</u></u>	<u><u>31,267,499</u></u>	<u><u>41,747,195</u></u>	<u><u>45,169,211</u></u>	<u><u>50,735,819</u></u>	<u><u>53,584,700</u></u>	<u><u>55,165,484</u></u>
38.02%	38.86%	51.08%	54.60%	59.97%	62.88%	65.35%

Conneaut School District
Population Trends
2009 through 2018
Unaudited

	2009	2010	2011	2012
Population - Conneaut School District	18,734	18,594	18,612	18,372
Population - Crawford County	89,044	88,765	88,188	87,754
Population - Pennsylvania	12,666,858	12,709,630	12,744,583	12,766,827
Population - United States	306,771,529	309,349,689	311,580,009	313,874,218

Sources:

District records

United States Small Area Income and Poverty (SAIPE) program

Notes:

Complete 2019 and 2020 data was not available at the time of this report's preparation.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
18,329	18,286	18,142	18,095	18,070	17,840
87,578	87,293	86,701	86,505	86,159	85,110
12,776,621	12,789,101	12,785,759	12,783,538	12,790,447	12,800,922
316,057,727	318,386,421	320,742,673	323,071,342	325,147,121	327,167,434

Conneaut School District
Demographic and Economic Data
2009 through 2018
Unaudited

	2009	2010	2011
Total population			
Crawford County	89,044	88,765	88,188
Pennsylvania	12,666,858	12,709,630	12,744,583
United States	306,771,529	309,349,689	311,580,009
Unemployment rate (as of December 31)			
Crawford County	9.9%	9.5%	8.0%
Pennsylvania	8.0%	8.5%	7.9%
United States	9.3%	9.6%	8.9%
Personal income (in thousands)			
Crawford County	2,649,143	2,790,758	2,942,259
Pennsylvania	515,485,777	533,929,583	561,012,102
Personal income per capita			
Crawford County	40,696	42,010	44,020
Pennsylvania	29,751	31,440	33,363

Sources:

Pennsylvania Bureau of Labor Statistics
Pennsylvania Department of Revenue
Pennsylvania Bureau of Economic Analysis
Federal Reserve Bank of St. Louis
United States Small Area Income and Poverty (SAIPE) program

Notes:

Complete 2019 and 2020 data was not available at the time of this report's preparation.

2012	2013	2014	2015	2016	2017	2018
87,754	87,578	87,293	86,701	86,505	86,159	85,110
12,766,827	12,776,621	12,789,101	12,785,759	12,783,538	12,790,447	12,800,922
313,874,218	316,057,727	318,386,421	320,742,673	323,071,342	325,147,121	327,167,434
7.6%	7.2%	5.8%	5.2%	6.0%	5.5%	4.2%
7.8%	7.4%	5.9%	5.3%	5.4%	4.9%	4.1%
8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%
2,998,489	3,054,331	3,175,015	3,234,581	3,230,258	3,290,456	3,484,983
585,851,545	589,491,588	613,658,783	637,183,688	648,694,272	667,117,752	729,280,000
45,889	46,138	47,983	49,835	50,745	52,158	56,971
34,169	34,876	36,372	37,307	37,342	38,191	40,947

Conneaut School District
 Enrollment Trends
 2011 through 2020
Unaudited

	<u>2011</u>	<u>2012</u>	<u>2013</u>
180-day enrollment - elementary (K-4)	1,232	1,164	789
180-day enrollment - middle (5-8)	-	-	722
180-day enrollment - high (9-12)	<u>1,178</u>	<u>1,143</u>	<u>696</u>
Total 180-day enrollment	<u><u>2,410</u></u>	<u><u>2,307</u></u>	<u><u>2,207</u></u>

Source:

District records

Notes:

The District operated only elementary (K-6) and secondary (7-12) schools through the 2012 year. Beginning with the 2013 year, a middle school structure was implemented through a building consolidation. Therefore, for years 2010 through 2012, middle school students are presented in the high school total.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
748	733	711	682	677	654	645
710	660	635	619	598	585	593
<u>671</u>	<u>667</u>	<u>686</u>	<u>678</u>	<u>664</u>	<u>626</u>	<u>596</u>
<u><u>2,129</u></u>	<u><u>2,060</u></u>	<u><u>2,032</u></u>	<u><u>1,979</u></u>	<u><u>1,939</u></u>	<u><u>1,865</u></u>	<u><u>1,834</u></u>

Conneaut School District
Staffing Trends
For the Years Ended June 30, 2015 through 2020
Unaudited

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Teachers	154	154	151	154	155	151
Administrators	12	12	12	12	14	13
Support/other	<u>86</u>	<u>87</u>	<u>104</u>	<u>99</u>	<u>96</u>	<u>94</u>
Total	<u><u>252</u></u>	<u><u>253</u></u>	<u><u>267</u></u>	<u><u>265</u></u>	<u><u>265</u></u>	<u><u>258</u></u>

Source:

District records

Notes:

The District began tracking staffing levels in its current manner beginning with the 2015 year. As such, only five years of data is presented for the sake of consistency.

Conneaut School District
Capital Asset Information
As of June 30, 2020
Unaudited

<u>Building</u>	<u>Year of Const.</u>	<u>Last Renovation</u>	<u>Square Footage</u>	<u>Building Capacity</u>	<u>19-20 Enroll.</u>	<u>% Used</u>
Conneaut Valley Elementary	1966	2007	61,211	494	320	64.78%
Conneaut Lake Elementary	1966	2005	62,760	558	325	58.24%
Conneaut Valley Middle	1965	2004	106,624	688	285	41.42%
Conneaut Lake Middle	1966	2005	106,944	753	308	40.90%
Conneaut Area Senior High	1953	2004	105,788	784	596	76.02%
Alice Schafer Annex	1965	2005	65,089	N/A	N/A	N/A
Central Administration	1965	2007	5,643	N/A	N/A	N/A

Source:

District records

Source:

Although many high school students attend classes in the Alice Schafer Annex building, no enrollment figures are allocated to the Annex for the purposes of this report.

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SINGLE AUDIT

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors of the
Conneaut School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Conneaut School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Conneaut School District's basic financial statements, and have issued our report thereon dated December 2, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP
Meadville, Pennsylvania
December 2, 2020



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors of the
Conneaut School District

Report on Compliance for Each Major Federal Program

We have audited Conneaut School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Conneaut School District's major federal programs for the year ended June 30, 2020. Conneaut School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Conneaut School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Conneaut School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Conneaut School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Conneaut School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Conneaut School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Conneaut School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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.

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

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP
Meadville, Pennsylvania
December 2, 2020

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CONNEAUT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2020

<i>Grantor Program Title</i>	<i>CFDA Number</i>	<i>Grantor Contract Number</i>	<i>Grant Period Beginning/ Ending Date</i>	<i>Total Received</i>	<i>Accrued (Deferred) Revenue 7/1/2019</i>	<i>Revenue Recognized</i>	<i>Expenditures</i>	<i>Accrued (Deferred) Revenue 6/30/2020</i>
U.S Department of Education								
Passed through PA Dept. of Education								
Title I Grants to Local Educational Agencies	84.010	013-190098	07/01/18-09/30/19	\$ 355,074	\$ 98,712	\$ 256,362	\$ 256,362	\$ -
Title I Grants to Local Educational Agencies	84.010	013-200098	07/01/19-09/30/20	288,171	-	514,301	514,301	226,130
				F 643,245	98,712	770,663	770,663	226,130
Rural and Low Income Schools	84.358	007-200098	07/01/19-09/30/20	F 17,432	-	-	-	(17,432)
Supporting Effective Instruction State Grant	84.367	020-180098	07/01/17-09/30/18	16,720	16,720	-	-	-
Supporting Effective Instruction State Grant	84.367	020-190098	07/01/18-09/30/19	35,539	(13,664)	72,147	72,147	22,944
Supporting Effective Instruction State Grant	84.367	020-200098	07/01/19-09/30/20	48,279	-	-	-	(48,279)
				F 100,538	3,056	72,147	72,147	(25,335)
Title IV - Student Support and Academic Enrichment	84.424	144-180098	07/01/17-06/30/18	11,669	11,669	-	-	-
Title IV - Student Support and Academic Enrichment	84.424	144-190098	07/01/18-06/30/19	33,734	33,734	-	-	-
Title IV - Student Support and Academic Enrichment	84.424	144-200098	07/01/19-06/30/20	34,988	-	61,229	61,229	26,241
				F 80,391	45,403	61,229	61,229	26,241
				841,606	147,171	904,039	904,039	209,604
Passed through Northwest Tri-County Intermediate Unit # 5								
Special Education - Grants to States (IDEA, Part B)	84.027	062-20-005	07/01/19-06/30/20	F 425,435	-	425,435	425,435	-
Total U.S. Department of Education				1,267,041	147,171	1,329,474	1,329,474	209,604
U.S. Department of Agriculture								
Passed through PA Dept. of Education								
School Breakfast Program (SBP)	10.553	365	07/01/18-06/30/19	46,075	46,075	-	-	-
School Breakfast Program (SBP)	10.553	365	07/01/19-06/30/20	308,605	-	316,339	316,339	7,734
				F 354,680	46,075	316,339	316,339	7,734
National School Lunch Program (NSLP)	10.555	362	07/01/18-06/30/19	108,960	108,960	-	-	-
National School Lunch Program (NSLP)	10.555	362	07/01/19-06/30/20	620,292	-	632,352	632,352	12,060
				F 729,252	108,960	632,352	632,352	12,060
				1,083,932	155,035	948,691	948,691	19,794
Child and Adult Care Food Program	10.558	164	07/01/19-06/30/20	F 11,854	-	6,864	6,864	(4,990)
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	07/01/19-06/30/20	F 31,567	-	31,567	31,567	-
School Breakfast Program	N/A	511	07/01/18-06/30/19	2,728	2,728	-	-	-
School Breakfast Program	N/A	511	07/01/19-06/30/20	16,852	-	17,204	17,204	352
National School Lunch Program	N/A	510	07/01/18-06/30/19	6,227	6,227	-	-	-
National School Lunch Program	N/A	510	07/01/19-06/30/20	22,840	-	22,840	22,840	-
				S 48,647	8,955	40,044	40,044	352

U.S. Department of Agriculture
Passed through PA Dept. of Agriculture

Value of USDA Donated Commodities	10.555	N/A	07/01/19-06/30/20	F	61,811	(11,915)	71,509	71,509	(2,217)
Total U.S. Department of Agriculture					1,237,811	152,075	1,098,675	1,098,675	12,939

U.S. Department of Health and Human Services
Passed through PA Dept. of Education

Medical Assistance Program	93.778	N/A	07/01/19-06/30/20	F	20,037	-	20,037	20,037	-
Total U.S. Department of Health and Human Services					20,037	-	20,037	20,037	-
Total Expenditures of Federal and State Awards					2,524,889	299,246	2,448,186	2,448,186	222,543
Less: State Matching Funds					(48,647)	(8,955)	(40,044)	(40,044)	(352)
TOTAL FEDERAL AWARDS					\$ 2,476,242	\$ 290,291	\$ 2,408,142	\$ 2,408,142	\$ 222,191

F Federal program

S State program

Footnotes to Schedule

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) includes the federal and state grant activity of the Conneaut School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented 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 Conneaut School District, it is not intended to and does not present the net position or changes in net position of Conneaut School District

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Conneaut School District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Federal Revenues

The funds passed through Northwestern Tri-County Intermediate Unit are required to be reported as local revenue source per Pennsylvania Department of Education guidelines and are reported as local on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.

Note D - Food Commodities

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had \$2,217 of food commodity inventory.

Note E - Subrecipient Funding

There were no funds passed through to subrecipients from any of the federal programs.

CONNEAUT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

- * Material weakness(es) identified? ☐ yes ☒ no
- * Significant deficiency(ies) identified that are not considered to be material weakness? ☐ yes ☒ none reported
- * Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? ☐ yes ☒ no
- * Significant deficiency(ies) identified that are not considered to be material weakness? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program(s) or Cluster(s)</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Donated Commodities - Non-Cash Assistance

Dollar threshold used to distinguish between type A and type B programs:
\$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II - Financial Statement Findings

There are no findings and questioned costs in the current year.

Section III - Federal Award Findings and Questioned Costs

There are no findings and questioned costs in the current year.