

CONNEAUT SCHOOL DISTRICT



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2022

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

**Comprehensive Annual Financial Report
of the
Conneaut School District
Crawford County, Pennsylvania
for the
Fiscal Year Ended June 30, 2022**

**Prepared By:
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Business Manager**

**Department Issuing Report:
Business Office**

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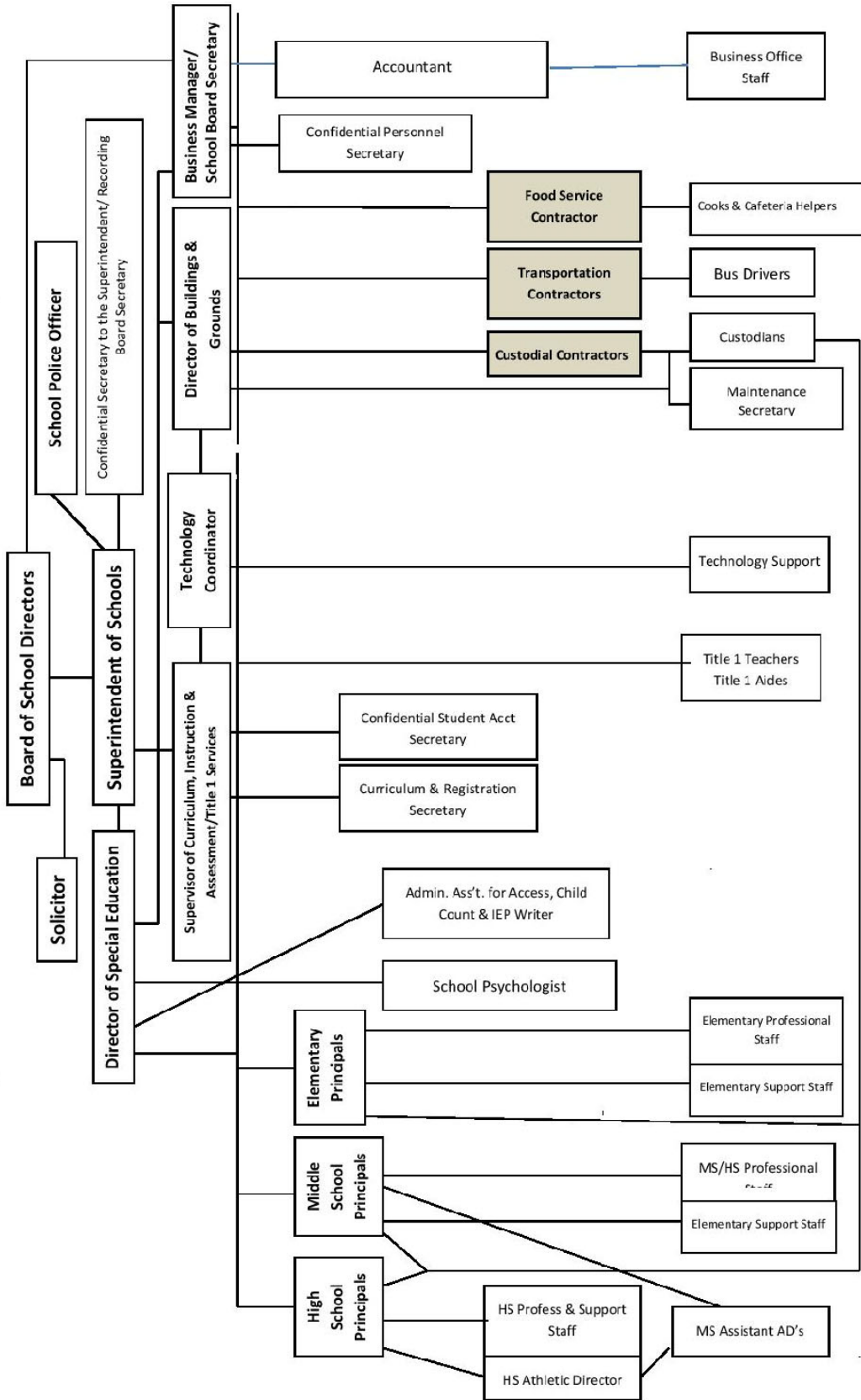
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**Conneaut School District
Board of School Directors**

- Dorothy LuckockBoard President*
- Jamie HornsteinBoard Vice President*
- John BurnhamDirector
- Adam Horne.....Director*
- Ryan KlinkDirector
- Kathleen KlinkDirector
- Eric McGuirkDirector
- 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

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Linesville, Pennsylvania 16424

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February 13, 2023

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

I am pleased to present the Comprehensive Annual Financial Report of the Conneaut School District for the fiscal year ended June 30, 2022. 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 Report 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, Capital Projects Fund, and Scholarship Fund are considered to be governmental funds. Financial information is also presented regarding the District's sole proprietary fund, which is the Food Service Fund. In addition, the District's sole fiduciary fund (the Student Activities Fund) is 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.

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AN EQUAL RIGHTS AND OPPORTUNITIES SCHOOL DISTRICT

*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 a global society.*

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 17,380.

The Conneaut School District is comprised of three main demographic 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, which are small towns in the north-central part of the school district. The Conneaut Valley community is 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 2021/2022 180th day student enrollment in each of the five schools in the Conneaut School District:

Conneaut Lake Elementary - 324
Conneaut Lake Middle School - 288
Conneaut Valley Elementary - 322
Conneaut Valley Middle School - 279
Conneaut Area Senior High (CASH) - 597

The schools enrollments total 1,810 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 1,692 students in 2025.

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 LuckockBoard President
- Jamie HornsteinBoard Vice President
- John BurnhamDirector
- Adam Horne.....Director
- Ryan KlinkDirector
- Kathleen Klink.....Director
- Eric McGuirkDirector
- 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 2021-2022 school year, 123 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 2021-2022 school year, the District paid tuition rates of \$13,401.17 for regular education students and \$25,824.60 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 six budget processes, the District has received the Meritorious Budget Award (MBA) from the Association of School Business Officials International (ASBO). The District also received ASBO’s Certificate of Excellence in Financial Reporting for the 2019-2020 and 2020-2021 fiscal years.

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:

<u>Building</u>	<u>Original Construction Date</u>	<u>Date of Last Renovation</u>
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, has faced recent economic difficulty. 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 5.2% in 2019. While still 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.

The District continues to make every effort to avoid raising tax rates, and the 2021-2022 fiscal year represented another year in which no increase were enacted. The current real estate tax millage (51.55) remains unchanged from the 2018-2019 school year. Earned income tax (0.5%) and Per Capita tax rates (\$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, 2022. 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,



Dr. Greg Mayle, CPA, CMA, PCSBA
Business Manager