



Dave Yost • Auditor of State



**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities .....	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	22
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund .....	26
Statement of Fund Net Position – Proprietary Funds .....	28
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	29
Statement of Cash Flows - Proprietary Funds .....	30
Statement of Fiduciary Net Position – Fiduciary Funds .....	31
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	32
Notes to the Basic Financial Statements .....	34
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability – SERS – Last Three Fiscal Years .....	74
Schedule of the School District's Proportionate Share of the Net Pension Liability – STRS – Last Three Fiscal Years.....	75
Schedule of School District Contributions – SERS – Last Ten Fiscal Years .....	76
Schedule of School District Contributions – STRS – Last Ten Fiscal Years .....	77

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Schedule of Expenditures of Federal Awards (Prepared by Management) .....	79
Notes to the Schedule of Expenditures of Federal Awards (Prepared by Management).....	80
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	81
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	83
Schedule of Findings .....	85



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Ashtabula Area City School District  
Ashtabula County  
2630 West 13<sup>th</sup> Street  
Ashtabula, Ohio 44004

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ashtabula Area City School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ashtabula Area City School District, Ashtabula County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 20, 2017

# Ashtabula Area City School District

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

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The discussion and analysis of the Ashtabula Area City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

### Financial Highlights

Key financial highlights for the fiscal year 2016 are as follows:

- Total net position of governmental activities increased \$2,531,605, which represents a 4.62 percent increase from 2015 net position.
- Total general revenues equaled \$42,781,318 or 85.18 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$7,441,834 or 14.82 percent of total revenues.
- The District had \$47,691,547 in expenses related to governmental activities; \$7,441,834 of these expenses was offset by program specific charges for services, operating grants and contributions.
- Total assets of governmental activities increased by \$1,331,874, primarily due to increases in cash and cash equivalents from the prior year.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$23,990,873, an increase of \$2,940,755 in comparison with the prior year.
- Outstanding debt was decreased from a balance of \$29,129,958 in 2015 to \$27,514,958 in 2016; and the accretion balance on the capital asset appreciation bonds increased from \$998,196 to \$1,283,395.

### Using this Annual Financial Report

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.



# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

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

## ***Reporting the District as a Whole***

### *Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio that result in restricting revenue growth, facility conditions, required educational program and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, all of the District's activities are classified as governmental. All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services, and extracurricular activities.

## ***Reporting the District's Most Significant Funds***

### *Fund Financial Statements*

The presentation of the District's major funds begins on page 18. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Debt Service Fund and Permanent Improvement Fund.

## Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

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

### **Fiduciary Funds**

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate Statement of Net Position – Fiduciary Funds on page 31. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### **The District as a Whole**

The Statement of Net Position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

**Table 1  
Net Position**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Assets:		
Current assets	\$ 43,243,420	\$ 40,224,890
Capital assets, net	<u>105,303,856</u>	<u>106,990,512</u>
Total assets	<u>148,547,276</u>	<u>147,215,402</u>
Deferred outflows of resources :		
Deferred charge on refunding	911,668	974,542
Pension	<u>4,631,714</u>	<u>2,799,744</u>
Total deferred outflows of resources	<u>5,543,382</u>	<u>3,774,286</u>
Liabilities:		
Current liabilities	4,723,212	4,895,823
Long term liabilities:		
Due within one year	1,850,394	1,793,428
Due in more than one year:		
Net pension liability	45,343,424	40,225,500
Other liabilities	<u>30,824,543</u>	<u>32,343,186</u>
Total liabilities	<u>82,741,573</u>	<u>79,257,937</u>
Deferred inflows of resources:		
Property taxes	10,714,457	9,656,572
Pension	<u>3,305,839</u>	<u>7,277,995</u>
Total deferred inflows of resources	<u>14,020,296</u>	<u>16,934,567</u>
Net position:		
Net investment in capital assets	77,275,410	77,311,653
Restricted	13,173,181	13,854,709
Unrestricted	<u>(33,119,802)</u>	<u>(36,369,178)</u>
Total net position	\$ <u>57,328,789</u>	\$ <u>54,797,184</u>

The net pension liability (NPL) is the largest liability reported by the District at June 30, 2016 and is reported pursuant to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide

## Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

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pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the District's proportionate share of each plan's collective :

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the District, total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$57,328,789 at the close of the most recent fiscal year. During fiscal year 2016, the District's net position improved \$2,531,605. As of June 30, 2016, there is no expectation that the District will be required to increase pension funding to cover the net pension liability.

## Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

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

Total assets and deferred outflows of resources increased by \$3,100,970 from 2015 to 2016, while the District's total liabilities and deferred inflows of resources increased by \$569,365. The main source for the increase in assets and deferred outflows is related to the increase in cash and cash equivalents.

The most significant change in liabilities and deferred inflows of resources was an increase in long-term liabilities, including the current portion, of \$3,656,247 which was related to the change in the net pension liability. This increase was offset by a decrease in deferred inflows of resources of \$2,914,271 which related mostly to change in pension deferred inflows of resources.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

**Table 2**  
**Changes in Net Position**

	Governmental Activities 2016	Governmental Activities 2015
Revenues:		
Program revenues:		
Charges for services	\$ 777,438	\$ 550,410
Operating grants and contributions	<u>6,664,396</u>	<u>6,199,843</u>
Total program revenues	<u>7,441,834</u>	<u>6,750,253</u>
General revenues:		
Property taxes	12,450,968	13,666,154
Grants and entitlements	29,615,531	28,079,117
Investment earnings	85,007	76,540
Miscellaneous revenue	<u>629,812</u>	<u>991,969</u>
Total general revenues	<u>42,781,318</u>	<u>42,813,780</u>
Total revenues	<u>50,223,152</u>	<u>49,564,033</u>
Program expenses:		
Instruction:		
Regular education	19,533,297	18,820,176
Special education	8,343,412	8,796,011
Vocational education	36,943	66,255
Other	1,306,734	700,212
Support services	13,862,954	13,562,422
Operation of non-instructional services	2,226,821	2,123,107
Extracurricular activities	841,046	804,313
Facilities acquisition and construction	338,914	504,727
Interest and fiscal charges	<u>1,201,426</u>	<u>1,233,435</u>
Total program expenses	<u>47,691,547</u>	<u>46,610,658</u>
Change in net position	2,531,605	2,953,375
Net position at beginning of year	<u>54,797,184</u>	<u>51,843,809</u>
Net position at end of year	\$ <u><u>57,328,789</u></u>	\$ <u><u>54,797,184</u></u>

## **Ashtabula Area City School District**

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

For the Fiscal Year Ended June 30, 2016

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### ***Effects of GASB 68***

Under GASB 68, pension expense represents additional amounts earned based on a proportionate share of the pension fund liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 68, the pension expense for 2016 is \$2,057,667, while in 2015 pension expense was \$1,712,797. The District was required to contribute \$2,743,870 and \$2,420,543 during 2016 and 2015, respectively.

### ***Governmental Activities***

Net position of the District's governmental activities increased by \$2,531,605. Program revenues of \$7,441,834 and general revenues of \$42,781,318 were sufficient to offset total governmental expenses of \$47,691,547. The District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. These revenue sources represent 97.03 percent of total governmental revenue.

Instruction and support services comprise 61.27 and 29.07 percent of governmental program expenses, respectively. Interest expense was 2.52 percent of total expenses. Interest expense was attributable to the outstanding bonds and notes for various projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

**Table 3**  
**Governmental Activities**

	<u>Total Cost of</u> <u>Services 2016</u>	<u>Net Cost of</u> <u>Services 2016</u>	<u>Total Cost of</u> <u>Services 2015</u>	<u>Net Cost of</u> <u>Services 2015</u>
Program expenses:				
Instruction	\$ 29,220,386	\$ 24,865,728	\$ 28,382,654	\$ 24,174,513
Support services:				
Pupil	2,340,206	2,340,206	2,158,378	2,158,378
Instructional staff	575,529	575,529	676,778	676,778
Board of education	117,616	117,616	146,154	146,154
Administration	2,587,616	2,587,616	2,424,088	2,424,088
Fiscal	710,868	710,868	840,126	840,126
Business	509,041	509,041	644,342	644,342
Operation and maintenance of plant	4,061,550	3,979,097	3,932,592	3,850,139
Pupil transportation	2,915,445	2,895,721	2,590,504	2,572,537
Central	45,083	32,483	149,460	136,860
Operation of non-instructional services	2,226,821	(218,007)	2,123,107	126,574
Extracurricular activities	841,046	313,475	804,313	371,754
Facilities acquisition and construction	338,914	338,914	504,727	504,727
Interest and fiscal charges	<u>1,201,426</u>	<u>1,201,426</u>	<u>1,233,435</u>	<u>1,233,435</u>
Total expenses	\$ <u>47,691,547</u>	\$ <u>40,249,713</u>	\$ <u>46,610,658</u>	\$ <u>39,860,405</u>

As noted above, the District's primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. The dependence upon these types of revenues is apparent, as 97.03 percent of 2016 governmental activities are supported by these revenues. Therefore the District's taxpayers, as a whole, provide substantial financial support through real estate property taxes for the District and its students.



# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

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## The District's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$50,586,747, expenditures of \$47,645,992, and net other financing sources and uses of \$-0-. The net change in fund balance for the year was most significant in the General Fund, where the fund balance increased by \$2,868,749 due mostly to increases in intergovernmental revenue in the current year.

## General Fund Budget Information

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal 2016, the District amended its General Fund budget periodically as defined by individual team needs.

For the General Fund, final budget basis revenue, including other financing sources was \$1,316 less than the original budget estimates of \$38,544,899. The District continues the conservative practice of estimating low in the intergovernmental revenue and interest revenue areas. The final appropriations, including other financing uses of \$38,475,848 were sufficient to meet the expenditures and other financing uses for the year, which ended up at \$37,839,708.

## Capital Assets

At the end of fiscal 2016 the District had \$105,303,856 invested in construction in progress, land, land improvements, buildings, equipment, and vehicles. Table 4 shows fiscal 2016 balances compared to 2015.

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

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Land	\$ 1,741,522	\$ 1,741,522
Construction in progress	7,270	275,310
Land improvements	1,297,452	681,777
Buildings	100,094,003	102,201,429
Furniture and equipment	1,186,762	1,314,772
Vehicles	<u>976,847</u>	<u>775,702</u>
Totals	\$ <u>105,303,856</u>	\$ <u>106,990,512</u>

The majority of the decrease was the result of increased accumulated depreciation expense due to a full year of depreciation on projects completed in the prior year.

Additional information concerning the District's capital assets can be found in Note 9 to the financial statements.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

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## Debt

At June 30, 2016, the District had bonds outstanding. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
General obligation bonds:		
Serial bonds	\$ 27,160,000	\$ 28,775,000
Capital appreciation bonds	354,958	354,958
Accretion on capital appreciation bonds	<u>1,283,395</u>	<u>998,196</u>
Total	\$ <u>28,798,353</u>	\$ <u>30,128,154</u>

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

## Current Financial Related Activities

The financial future of the District is not without its challenges. These challenges stem from issues that are local and at the State level. At the local level, the taxpayers must approve additional levies to pay for unfunded mandates as well as continue the programs they have come to expect as normal operations. Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

The District is dependent on local taxpayers. The District passed a renewal 5 year, 2.5 mill general permanent improvement levy in November 2014. The District is very appreciative of the community's support and is dedicated to stretching these funds for years into the future. The District started receiving a portion of the funds from this new levy in January 2016.

## Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Ashtabula Area City School District, 2630 West 13<sup>th</sup> Street, Ashtabula, Ohio 44004, or telephone (440) 992-1200.

# Ashtabula Area City School District

## Statement of Net Position

June 30, 2016

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	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 23,786,540
Restricted cash	3,685,209
Accounts receivable	183,322
Intergovernmental receivable	1,131,535
Materials and supplies inventory	124,456
Property taxes receivable	14,332,358
Non-depreciable capital assets	1,748,792
Depreciable capital assets, net	<u>103,555,064</u>
Total assets	<u>148,547,276</u>
Deferred outflows of resources:	
Deferred charges on refunding	911,668
Pensions:	
SERS	902,951
STRS	<u>3,728,763</u>
Total deferred outflows of resources	<u>5,543,382</u>
Liabilities:	
Accounts payable	457,012
Accrued wages and benefits	2,737,166
Accrued interest payable	78,182
Intergovernmental payable	535,555
Retainage payable	797
Claims payable	914,500
Long-term liabilities:	
Due within one year	1,850,394
Due in more than one year:	
Net pension liability:	
SERS	8,278,822
STRS	37,064,602
Other amounts due in more than one year	<u>30,824,543</u>
Total liabilities	<u>82,741,573</u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Net Position (continued)

June 30, 2016

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	<u>Governmental Activities</u>
Deferred inflows of resources:	
Property taxes	10,714,457
Pension:	
SERS	274,304
STRS	<u>3,031,535</u>
Total deferred inflows of resources	<u>14,020,296</u>
Net Position:	
Net investment in capital assets	77,275,410
Restricted for:	
Capital projects	7,230,731
Debt service	2,865,950
Other purposes	3,076,500
Unrestricted	<u>(33,119,802)</u>
Total net position	\$ <u><u>57,328,789</u></u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Activities

For the Fiscal Year Ended June 30, 2016

	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental activities:				
Instruction:				
Regular education	\$ 19,533,297	\$ 328,743	\$ 639,476	\$ (18,565,078)
Special education	8,343,412	-	3,207,039	(5,136,373)
Vocational education	36,943	-	-	(36,943)
Other instruction	1,306,734	179,400	-	(1,127,334)
Support services:				
Pupil	2,340,206	-	-	(2,340,206)
Instructional staff	575,529	-	-	(575,529)
Board of education	117,616	-	-	(117,616)
Administration	2,587,616	-	-	(2,587,616)
Fiscal	710,868	-	-	(710,868)
Business	509,041	-	-	(509,041)
Operation and maintenance of plant	4,061,550	-	82,453	(3,979,097)
Pupil transportation	2,915,445	19,724	-	(2,895,721)
Central	45,083	-	12,600	(32,483)
Operation of non-instructional services:				
Food service operations	2,226,821	44,284	2,400,544	218,007
Extracurricular activities	841,046	205,287	322,284	(313,475)
Facilities acquisitions and construction services	338,914	-	-	(338,914)
Interest and fiscal charges	<u>1,201,426</u>	<u>-</u>	<u>-</u>	<u>(1,201,426)</u>
Total governmental activities	<u>\$ 47,691,547</u>	<u>\$ 777,438</u>	<u>\$ 6,664,396</u>	<u>(40,249,713)</u>
General revenues:				
Property taxes levies for:				
General purpose				9,003,268
Debt service				2,111,865
Capital outlay				1,168,241
Capital maintenance				167,594
Grant and entitlements not restricted to specific programs				29,615,531
Investment income				85,007
Miscellaneous revenue				<u>629,812</u>
Total general revenues				<u>42,781,318</u>
Change in net position				2,531,605
Net position at beginning of year				<u>54,797,184</u>
Net position at end of year				<u>\$ 57,328,789</u>

The accompanying notes are an integral part of these financial statements.

# Ashtabula Area City School District

## Balance Sheet Governmental Funds

June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 10,882,088	\$ 3,608,481	\$ 3,079,609
Restricted cash	-	-	-
Taxes receivable	10,324,984	2,456,728	1,355,666
Accounts receivable	183,322	-	-
Intergovernmental receivable	166,218	-	-
Interfund receivable	563,970	-	-
Materials and supplies inventory	<u>75,572</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 22,196,154</u>	<u>\$ 6,065,209</u>	<u>\$ 4,435,275</u>
<b>Liabilities, deferred inflows of resources and fund balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 235,362	\$ -	\$ 46,872
Accrued wages and benefits	2,419,173	-	-
Retainage payable	-	-	797
Intergovernmental payable	422,999	-	-
Interfund payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,077,534</u>	<u>-</u>	<u>47,669</u>
<b>Deferred inflows of resources:</b>			
Property taxes	7,717,509	1,837,682	1,013,417
Unavailable revenue	<u>1,151,938</u>	<u>288,168</u>	<u>158,192</u>
Total deferred inflows of resources	<u>8,869,447</u>	<u>2,125,850</u>	<u>1,171,609</u>
<b>Fund balances:</b>			
Nonspendable	75,572	-	-
Restricted	308,678	3,939,359	3,215,997
Committed	-	-	-
Assigned	663,409	-	-
Unassigned (deficit)	<u>9,201,514</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>10,249,173</u>	<u>3,939,359</u>	<u>3,215,997</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,196,154</u>	<u>\$ 6,065,209</u>	<u>\$ 4,435,275</u>

The accompanying notes are an integral part of the financial statements.

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<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,258,117	\$ 20,828,295
3,685,209	3,685,209
194,980	14,332,358
-	183,322
959,555	1,125,773
4,547	568,517
48,884	124,456
<u>\$ 8,151,292</u>	<u>\$ 40,847,930</u>
\$ 174,778	\$ 457,012
317,993	2,737,166
-	797
48,711	471,710
<u>568,517</u>	<u>568,517</u>
<u>1,109,999</u>	<u>4,235,202</u>
145,849	10,714,457
<u>309,100</u>	<u>1,907,398</u>
<u>454,949</u>	<u>12,621,855</u>
48,884	124,456
6,543,449	14,007,483
171,333	171,333
-	663,409
<u>(177,322)</u>	<u>9,024,192</u>
<u>6,586,344</u>	<u>23,990,873</u>
<u>\$ 8,151,292</u>	<u>\$ 40,847,930</u>

The accompanying notes are an integral part of the financial statements.

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# Ashtabula Area City School District

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

June 30, 2016

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Total governmental fund balances		\$ 23,990,873
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		105,303,856
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Delinquent property taxes	\$ 1,621,169	
Grants	<u>286,229</u>	
Total		1,907,398
Internal Service Funds are used by management to charge the cost of health insurance and workers' compensation premiums to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.		1,985,662
Premiums received from the sale of general obligation bonds are considered financial resources and reported as revenue in the funds but deferred in the Statement of Net Position.		(1,425,156)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.		
General obligation serial bonds	(27,160,000)	
Capital appreciation bonds	(354,958)	
Bond accretion	(1,283,395)	
Compensated absences payable	(2,451,428)	
Accrued interest payable	<u>(78,182)</u>	
Total		<u>(31,327,963)</u>
Deferred charges on refunding related to the issuance of long-term refunding debt that will be amortized over the life of the debt on the Statement of Net Position.		911,668
The net position liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows – pension	4,631,714	
Deferred inflows – pension	(3,305,839)	
Net pension liability	<u>(45,343,424)</u>	
Total		<u>(44,017,549)</u>
Net position of governmental activities		\$ <u>57,328,789</u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>
<b>Revenues:</b>			
Taxes	\$ 8,993,109	\$ 2,111,687	\$ 1,166,921
Intergovernmental	28,870,201	449,907	267,336
Tuition and fees	348,217	-	-
Investment earnings	25,822	-	-
Extracurricular activities	104,537	-	-
Miscellaneous revenue	820,907	3,672	1,938
Charges for services	179,400	-	-
Total revenues	<u>39,342,193</u>	<u>2,565,266</u>	<u>1,436,195</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular education	17,101,436	-	301,746
Special education	5,937,885	-	6,678
Vocational education	20,541	-	17,091
Other instruction	797,148	-	-
<b>Support services:</b>			
Pupil	2,200,422	-	-
Instructional staff	349,894	-	-
Board of education	154,782	-	-
Administration	2,286,839	-	20,931
Fiscal	764,789	46,817	27,816
Business	652,190	-	-
Operation and maintenance of plant	3,404,613	-	165,637
Pupil transportation	2,309,905	-	582,624
Central	37,191	-	-
Food service operations	-	-	-
Extracurricular activities	414,517	-	-
Miscellaneous	97	-	-
Capital outlay	164	-	704,280
<b>Debt services:</b>			
Principal	-	1,615,000	-
Interest and fiscal charges	-	954,332	-
Total expenditures	<u>36,432,413</u>	<u>2,616,149</u>	<u>1,826,803</u>
Excess of revenues over (under) expenditures	2,909,780	(50,883)	(390,608)
<b>Other financing sources and (uses):</b>			
Transfers in	-	-	-
Transfers out	(41,031)	-	-
Total other financing sources and (uses)	<u>(41,031)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,868,749	(50,883)	(390,608)
Fund balance at beginning of year	<u>7,380,424</u>	<u>3,990,242</u>	<u>3,606,605</u>
Fund balance at end of year	<u>\$ 10,249,173</u>	<u>\$ 3,939,359</u>	<u>\$ 3,215,997</u>

The accompanying notes are an integral part of the financial statements.

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Non-major Governmental Funds	Total Governmental Funds
\$ 167,594	\$ 12,439,311
6,897,104	36,484,548
250	348,467
765	26,587
100,750	205,287
32,346	858,863
<u>44,284</u>	<u>223,684</u>
<u>7,243,093</u>	<u>50,586,747</u>
612,219	18,015,401
1,977,971	7,922,534
-	37,632
576,485	1,373,633
142,798	2,343,220
270,343	620,237
-	154,782
170,885	2,478,655
4,125	843,547
-	652,190
346,653	3,916,903
548	2,893,077
-	37,191
2,030,731	2,030,731
404,733	819,250
228,954	229,051
4,182	708,626
-	1,615,000
-	<u>954,332</u>
<u>6,770,627</u>	<u>47,645,992</u>
472,466	2,940,755
41,031	41,031
-	<u>(41,031)</u>
<u>41,031</u>	<u>-</u>
513,497	2,940,755
<u>6,072,847</u>	<u>21,050,118</u>
\$ <u><u>6,586,344</u></u>	\$ <u><u>23,990,873</u></u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

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Net Change in Fund Balances – Total governmental funds		\$	2,940,755
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the capital outlay exceeds depreciation in the current period.			(1,679,280)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from that sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.			(7,376)
Property tax and grant revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
	Property taxes	\$	11,657
	Intergovernmental		<u>(204,621)</u>
	Total		(192,964)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
	General obligation bonds		1,615,000
	Compensated absences		<u>33,589</u>
	Total		1,648,589
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.			
	Accretion on capital appreciation bonds		(285,199)
	Accrued interest on debt		2,692
	Amortization of premium		98,287
	Amortization of loss on refunding		<u>(62,874)</u>
	Total		(247,094)
Contractually-required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.			2,743,870

The accompanying notes are an integral part of the financial statements.

## Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

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Except for amounts reported as deferred outflows/inflows, changes in net pension liability are reported as pension expense in the Statement of Activities. (2,057,668)

The Internal Service Funds used by management to charge the costs of insurance to individual funds are not reported in the Statement of Activities. Governmental fund expenditures and related Internal Service Fund revenues are eliminated. The net revenue (expense) of Internal Service Funds is allocated among the governmental activities. (617,227)

Change in net position of governmental activities \$ 2,531,605

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 10,380,582	\$ 10,622,004	\$ 9,646,398	\$ (975,606)
Tuition and fees	322,795	320,043	347,411	27,368
Earnings on investments	23,992	23,788	25,822	2,034
Extracurricular activities	72,830	72,209	78,384	6,175
Miscellaneous revenue	696,957	691,015	750,106	59,091
Intergovernmental	26,822,489	26,593,822	28,867,949	2,274,127
Total revenues	<u>38,319,645</u>	<u>38,322,881</u>	<u>39,716,070</u>	<u>1,393,189</u>
Expenditures:				
Current:				
Instruction:				
Regular education	16,562,629	17,129,685	16,846,472	283,213
Special education	6,037,024	6,243,714	6,140,484	103,230
Vocational education	32,005	33,100	32,553	547
Other instruction	1,001,978	1,036,282	1,019,149	17,133
Support services:				
Pupil	2,294,298	2,372,848	2,333,617	39,231
Instructional staff	417,620	431,918	424,777	7,141
Board of education	164,433	170,063	167,251	2,812
Administration	2,219,064	2,295,039	2,257,094	37,945
Fiscal	759,042	785,029	772,050	12,979
Business	704,906	729,040	716,986	12,054
Operation and maintenance of plant	3,459,706	3,578,156	3,518,997	59,159
Pupil transportation	2,340,991	2,421,140	2,381,110	40,030
Central	37,567	38,853	38,211	642
Extracurricular activities	378,295	391,247	384,778	6,469
Miscellaneous	95	100	97	3
Capital outlay	161	167	164	3
Total expenditures	<u>36,409,814</u>	<u>37,656,381</u>	<u>37,033,790</u>	<u>622,591</u>
Excess of revenues over (under) expenditures	<u>1,909,831</u>	<u>666,500</u>	<u>2,682,280</u>	<u>2,015,780</u>

Continued

The accompanying notes are an integral part of the financial statements.

## Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Advances – in	225,254	223,334	242,432	19,098
Transfer – out	(518,830)	(536,593)	(527,721)	8,872
Advances – out	(273,509)	(282,874)	(278,197)	4,677
Total other financing sources (uses)	<u>(567,085)</u>	<u>(596,133)</u>	<u>(563,486)</u>	<u>32,647</u>
Net change in fund balance	1,342,746	70,367	2,118,794	2,048,427
Fund balance at beginning of year	7,149,736	7,149,736	7,149,736	-
Prior year encumbrances appropriated	<u>500,017</u>	<u>500,017</u>	<u>500,017</u>	<u>-</u>
Fund balance at end of year	\$ <u>8,992,499</u>	\$ <u>7,720,120</u>	\$ <u>9,768,547</u>	\$ <u>2,048,427</u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Fund Net Position Proprietary Funds

June 30, 2016

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	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,958,245
Intergovernmental receivable	<u>5,762</u>
Total assets	<u>2,964,007</u>
Liabilities:	
Intergovernmental payable	63,845
Claims payable	<u>914,500</u>
Total liabilities	<u>978,345</u>
Net position:	
Unrestricted net position	\$ <u><u>1,985,662</u></u>

The accompanying notes are an integral part of the financial statements.



# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2016

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	<u>Governmental Activities Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 6,783,700
Miscellaneous	<u>148,612</u>
Total operating revenues	<u>6,932,312</u>
Operating expenses:	
Claims	7,470,400
Fiscal	995
Purchased services	<u>136,564</u>
Total operating expenses	<u>7,607,959</u>
Operating loss	(675,647)
Non-operating revenues:	
Earnings on investments	<u>58,420</u>
Change in net position	(617,227)
Total net position at beginning of year	<u>2,602,889</u>
Total net position at end of year	\$ <u><u>1,985,662</u></u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2016

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	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from other funds	\$ 6,926,550
Cash payments for claims and contractual services	<u>(7,721,488)</u>
Net cash used for operating activities	(794,938)
Cash flows from investing activities:	
Earnings on investments	<u>58,420</u>
Net decrease in cash and cash equivalents	(736,518)
Cash and cash equivalents at beginning of year	<u>3,694,763</u>
Cash and cash equivalents at end of year	\$ <u><u>2,958,245</u></u>
Reconciliation of operating loss to net cash from operating activities:	
Operating loss	\$ (675,647)
Adjustments:	
Change in assets:	
Decrease in intergovernmental receivable	102,656
Changes in liabilities:	
Increase in intergovernmental payable	(65,247)
Increase in claims payable	<u>(156,700)</u>
Net cash used for operating activities	\$ <u><u>(794,938)</u></u>

The accompanying notes are an integral part of the financial statements.

# Ashtabula Area City School District

## Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2016

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	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ <u>95,546</u>	\$ <u>44,131</u>
Liabilities:		
Due to students	<u>-</u>	\$ <u>44,131</u>
Net position:		
Held in trust for scholarships	\$ <u>95,546</u>	

The accompanying notes are an integral part of the financial statements.

## Ashtabula Area City School District

### Statement of Changes in Fiduciary Net Position Fiduciary Funds

For the Fiscal Year Ended June 30, 2016

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	<u>Private Purpose Trust Funds</u>
Additions:	
Investment earnings	\$          9
Miscellaneous	<u>        6,527</u>
Total additions	<u>        6,536</u>
Deductions:	
Extracurricular activities	<u>        16,700</u>
Total deductions	<u>        16,700</u>
Change in net position	(10,164)
Total net position at beginning of year	<u>      105,710</u>
Total net position at end of year	\$ <u>      95,546</u>

The accompanying notes are an integral part of the financial statements.

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# Ashtabula Area City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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## **Note 1: Description of District**

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

The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District as mandated by State and/or Federal agencies. The District is defined by Section 3311.02 of the Ohio Revised Code. Average daily membership (ADM) of the District was 4,222 (this includes open enrollment and online students). The District employed 19 administrative and supervisory personnel, 249 certified employees and 179 non-certificated employees.

## **Note 2: Summary of Significant Accounting Policies**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

### **A. Reporting Entity**

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

The District provides regular, vocational, and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities, and non-programmed services.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **A. Reporting Entity (continued)**

#### *Jointly Governed Organizations*

##### *Northeast Ohio Management Information Network (NEOMIN)*

NEOMIN is a jointly governed organization among 34 School Districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. Each of the Districts supports NEOMIN based upon a per pupil charge. The District contributed \$84,749 to NEOMIN during fiscal year 2016.

Superintendents of the participating School Districts are eligible to be voting members of the Governing Board which consists of 10 members: the Trumbull and Ashtabula County Educational Service Center's Superintendents (permanent members), three Superintendents from Ashtabula County School Districts, three Superintendents from Trumbull County School Districts, and a Treasurer from each county. The degree of control exercised by any participating School District is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

##### *State Support Team (SST) - Region 5*

The SST is an Educational Regional Service System whose mission is to provide regional districts with leadership, technical assistance and high quality professional development in the service areas of school improvement, literacy, early learning and school readiness and special education compliance. The 16 State Support Teams are responsible for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using a differentiated technical assistance structure of support based upon need. The teams work through the Office of Exceptional Children, Office of Literacy, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The SSTs include staff and services formerly provided by the Special Education Regional Resources Centers (SERRCs) and the Regional School Improvement Teams (RSITs). Each School District's degree of control is limited to its representation on the Governing Board. The SST is its own budgeting and taxing authority. The School District made no contributions for fiscal year 2016.

House Bill 115 (HB 115) establishes the Educational Regional Service System (ERSS) and requires the creation of a coordinated, integrated and aligned system to support state and school districts efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of education services without reducing the availability of the services needed by school districts and school. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Youngstown, Ohio 44512.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **A. Reporting Entity (continued)**

#### *Jointly Governed Organizations*

##### *Ashtabula County Technical & Career Center*

The Ashtabula County Technical & Career Center (A-Tech) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The A-Tech is operated under the direction of a Board consisting of representatives from some of the participating School Districts' elected boards. Each School District's degree of control is limited to its representation on the Governing Board. The Board is its own budgeting and taxing authority. The School District did not contribute funds to the Center during the fiscal year. Financial information can be obtained from Lindsey Elly, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

#### *Related Organizations*

##### *Non-public schools*

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

##### *Harbor-Topky Memorial Library*

The Harbor-Topky Memorial Library is a separate body politic. The Board of Education appoints new Trustees, by resolution, upon recommendation of the Trustees.

Management believes the financial statements included in this report represent all of the funds over which the District is financially accountable.

### **B. Fund Accounting**

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is divided into separate fund types.



# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **B. Fund Accounting (continued)**

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

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

*Debt Service Fund* – This fund accounts for the collection of property taxes that are used for the payment of principal and interest and fiscal charges on general obligation debt.

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

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

**Proprietary Funds:** Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's Internal Service Funds.

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **B. Fund Accounting (continued)**

***Fiduciary Funds:*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are private purpose trusts which account for programs that provide assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds are used to account for student activities.

### **C. Basis of Presentation and Measurement Focus**

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

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (e.g., expenses) in total net position.

***Fund Financial Statements:*** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and non-major funds are aggregated into a single column. The Internal Service Fund is presented on a separate proprietary fund statement. Fiduciary funds are reported by fund type.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **C. Basis of Presentation and Measurement Focus (continued)**

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

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 a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service funds are charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The private purpose trust funds are reported using the flow of economic resources measurement focus. Agency funds do not report operations; therefore, no measurement focus is needed.

### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **D. Basis of Accounting (continued)**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

**Unearned Revenue:** Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

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

In addition to liabilities, the statements that report net position may include a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide Statement of Net Position, see Note 13.

**Expenditures/Expenses:** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as intergovernmental revenue.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **D. Basis of Accounting (continued)**

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

### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Tax Budget:** Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ashtabula County Budget Commission for rate determination.

**Estimated Resources:** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2016. Prior to year end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **E. Budgetary Process (continued)**

**Appropriations:** Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter appropriations must be approved by the Board of Education at the legal level of budgetary control. The Board has authorized the Treasurer to allocate appropriations within each function and among object level expenditures.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts on the statements of budgetary comparisons represent the final appropriation amounts passed by the Board during the year.

### **F. Cash and Investments**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements. The District may also utilize an escrow agent to hold retainage on construction contracts. The balances in these accounts are presented on the financial statements as “restricted cash”.

During the fiscal year all investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and government bonds. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **F. Cash and Investments (continued)**

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year amounted to \$25,822. The amount allocated from other funds during fiscal year 2016 amounted to \$10,077.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

### **G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies.

### **H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation.

### **I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 2: Summary of Significant Accounting Policies (continued)

### I. Capital Assets (continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 - 30 years
Buildings	15 - 30 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

### J. Interfund Balances

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

### K. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Vacation leave benefits are accrued as a liability as the benefits are earned if a) the employees’ rights to receive compensation are attributable to services already rendered, and b) it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or a class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

### L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service funds are reported on the proprietary fund financial statements.



# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

### **M. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

### **N. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources which will be used for athletics, special education and other grants.

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

### **O. Fund Balance**

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

*Nonspendable:* The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually-required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **O. Fund Balance (continued)**

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

*Assigned:* Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education.

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

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

### **P. Operating Revenues and Expenses**

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

### **Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund activities between governmental funds are eliminated for reporting in the Statement of Activities.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **R. Estimates**

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

### **S. Deferred Charge on Refunding**

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

### **T. Bond Premiums**

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

### **U. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. During fiscal year 2016, the District had neither extraordinary items nor special items.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 3: Change in Accounting Principle**

For fiscal year 2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," GASB Statement No. 79, "Certain External Investment Pools and Pool Participants," and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the District's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 76 identifies in the context of the current governmental financial reporting environment - the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the District's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The District incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District's fiscal year 2016 financial statements; however, there was no effect on beginning net position.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 4: Fund Balances

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Inventory	\$ <u>75,572</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>48,884</u>	\$ <u>124,456</u>
Restricted for:					
Food service operations	-	-	-	367,174	367,174
Community activities	-	-	-	434,629	434,629
Athletics	-	-	-	90,375	90,375
Auxiliary services	-	-	-	225,758	225,758
Special education program	-	-	-	6,718	6,718
Debt service payments	-	3,939,359	-	-	3,939,359
Other purposes	308,678	-	-	173,416	482,094
Capital improvements	<u>-</u>	<u>-</u>	<u>3,215,997</u>	<u>5,245,379</u>	<u>8,461,376</u>
Total restricted	<u>308,678</u>	<u>3,939,359</u>	<u>3,215,997</u>	<u>6,543,449</u>	<u>14,007,483</u>
Committed to:					
Capital improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,333</u>	<u>171,333</u>
Assigned to:					
Encumbrances	614,725	-	-	-	614,725
Other purposes	<u>48,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,684</u>
Total assigned	<u>663,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>663,409</u>
Unassigned (deficit)	<u>9,201,514</u>	<u>-</u>	<u>-</u>	<u>(177,322)</u>	<u>9,024,192</u>
Total fund balances	\$ <u>10,249,173</u>	\$ <u>3,939,359</u>	\$ <u>3,215,997</u>	\$ <u>6,586,344</u>	\$ <u>23,990,873</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 5: Accountability**

### **A. Accountability**

The following funds had negative fund balances at June 30, 2016:

Non-major Special Revenue Funds:	
Public School Preschool	\$ 19,284
Title I	19,086
Title III – Limited English Proficiency	25,598
Title VI-B Special Education Fund	111,034
Improving Teacher Quality	2,320

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

## **Note 6: Deposits and Investments**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 6: Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section or repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

## Deposits

**Custodial Credit Risk** is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 6: Deposits and Investments (continued)

In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of District funds shall be required to pledge as security for repayment of all public monies.

At year end, the carrying amount of the District's deposits was \$21,891,178 and the bank balance was \$21,985,251. Of the bank balance, \$6,033,270 was covered by federal depository insurance and \$15,951,981 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the District's name. At fiscal year end, the District had \$200 in cash on hand.

### Investments

Investments are reported at fair value. As of June 30, 2016, the District had the following investments:

	Fair Value	Maturity Date
STAROhio	\$ 1,268,471	Less than 6 months
Municipal Certificates of Deposit	650,454	More than 6 months
Federal Home Loan Bank Bonds	2,300,528	More than 6 months
Federal Farm Credit Bank Bonds	<u>1,500,595</u>	More than 6 months
Total investments	<u>\$ 5,720,048</u>	

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of June 30, 2016. All of the District's investments are valued using quoted market prices (Level 1 inputs).

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

**Credit Risk** is addressed by the District's investment policy by the requirements that all investments are authorized by the Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. STAROhio investments are registered and carry a rating AAAM rating by Standard & Poor's. All other investments of the District are registered and carry a rating AA+ by Standard & Poor's.



# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 6: Deposits and Investments (continued)

**Custodial Risk** for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The District places no limit on the amount it may invest in any one issuer. The following is the District's allocation as of June 30, 2016:

	<u>Percentage of Investments</u>
STAROhio	22.18%
Municipal Certificates of Deposit	11.37%
Federal Home Loan Bank Bonds	40.22%
Federal Farm Credit Bank Bonds	26.23%

## Note 7: Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015. Assessed values for real property are established by the State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received from telephone companies during calendar 2016 were levied after October 1, 2015, on the value as of December 31, 2015. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures, is no longer levied and collected.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 7: Property Taxes (continued)

The Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. Tax settlements are made each February and August for real property taxes. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values of real and tangible personal property on which the 2016 taxes were collected were as follows:

	2015		2016	
	Second-Half Collections		First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$ 380,230,140	90.77%	\$ 380,299,890	90.67%
Public Utility Personal Property	38,628,140	9.23%	39,154,090	9.33%
Total Assessed Value	\$ 418,858,280	100.00%	\$ 419,453,980	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 50.85		\$ 50.85	

Accrued property taxes receivables include real property and public utility taxes which are measurable as of June 30, 2016, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2016, was \$1,455,537 in the General Fund, \$330,878 in the Bond Retirement Fund, \$184,057 in the Permanent Improvement Fund and \$26,260 in the Classroom Facilities Maintenance Fund.

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

## Note 8: Receivables

Receivables at June 30, 2016, consisted of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of intergovernmental receivables reported on the Statement of Net Position follows:

Governmental activities:	
IDEA B grant	\$ 181,594
Preschool grant	3,978
Title I	467,472
Title II-A	82,438
Early Childhood Education	122,180
Ohio Lottery proceeds	95,357
Miscellaneous state and federal grants	96,741
Muskingham Valley ESC – health insurance refund	5,762
State Employees Retirement System refund	76,013
Total governmental activities	\$ 1,131,535

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

## Note 9: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance <u>6/30/15</u>	Additions	Disposals	Balance <u>6/30/16</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,741,522	\$ -	\$ -	\$ 1,741,522
Construction in progress	<u>275,310</u>	<u>364,160</u>	<u>(632,200)</u>	<u>7,270</u>
Total capital assets, not being depreciated	<u>2,016,832</u>	<u>364,160</u>	<u>(632,200)</u>	<u>1,748,792</u>
Capital assets, being depreciated:				
Land improvements	900,694	714,020	-	1,614,714
Buildings	113,434,657	6,900	-	113,441,557
Furniture and equipment	2,167,832	6,495	-	2,174,327
Vehicles	<u>2,991,943</u>	<u>421,406</u>	<u>(399,249)</u>	<u>3,014,100</u>
Total capital assets, being depreciated	<u>119,495,126</u>	<u>1,148,821</u>	<u>(399,249)</u>	<u>120,244,698</u>
Less accumulated depreciation:				
Land improvements	(218,917)	(98,345)	-	(317,262)
Buildings	(11,233,228)	(2,114,326)	-	(13,347,554)
Furniture and equipment	(853,060)	(134,505)	-	(987,565)
Vehicles	<u>(2,216,241)</u>	<u>(212,885)</u>	<u>391,873</u>	<u>(2,037,253)</u>
Total accumulated depreciation	<u>(14,521,446)</u>	<u>(2,560,061)</u>	<u>391,873</u>	<u>(16,689,634)</u>
Capital assets being depreciated, net	<u>104,973,680</u>	<u>(1,411,240)</u>	<u>(7,376)</u>	<u>103,555,064</u>
Total capital assets, net	\$ <u>106,990,512</u>	\$ <u>(1,047,080)</u>	\$ <u>(639,576)</u>	\$ <u>105,303,856</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular education	\$ 1,497,808
Special education	419,995
Support services:	
Instructional staff	11,584
Administration	83,355
Fiscal	3,958
Business	3,467
Operation and maintenance of plant	39,409
Pupil transportation	202,314
Central	7,892
Operation of non-instructional services:	
Food service operations	126,888
Extracurricular activities	80,223
Facilities and construction services	<u>83,168</u>
Total depreciation expense	\$ <u>2,560,061</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

## Note 10: Long-Term Liabilities

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

	Principal Outstanding <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>06/30/16</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Refunded OSFC construction bonds 2.00% - 12/01/2030	\$ 28,775,000	\$ -	\$ (1,615,000)	\$ 27,160,000	\$ 1,650,000
Refunded OSFC construction capital appreciation bonds 2.00% - 12/01/2020	354,958	-	-	354,958	-
Accretion on refunded capital appreciation bonds	998,196	285,199	-	1,283,395	-
Premium on construction bonds	1,523,443	-	(98,287)	1,425,156	-
Net pension liability:					
SERS	7,218,828	1,059,994	-	8,278,822	-
STRS	33,006,672	4,057,930	-	37,064,602	-
Compensated absences	<u>2,485,017</u>	<u>255,324</u>	<u>(288,913)</u>	<u>2,451,428</u>	<u>200,394</u>
Total governmental activities long-term liabilities	\$ <u>74,362,114</u>	\$ <u>5,658,447</u>	\$ <u>(2,002,200)</u>	\$ <u>78,018,361</u>	\$ <u>1,850,394</u>

Principal and interests requirements to retire bonds outstanding at June 30, 2016 are as follows:

	<u>Refunded Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,650,000	\$ 921,682
2018	1,680,000	888,382
2019	269,186	2,317,396
2020	1,085,772	1,490,184
2021	1,735,000	824,307
2022-2026	9,570,000	3,177,799
2027-2031	<u>11,525,000</u>	<u>1,182,162</u>
Total	\$ <u>27,514,958</u>	\$ <u>10,801,912</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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**Note 10: Long-Term Liabilities (continued)**

On January 11, 2012, the District issued \$32,724,958 in general obligation bonds for the purpose of refunding general obligation bonds outstanding in order to take advantage of lower interest rates. The bonds were sold at a premium of \$2,215,574 with an issue discount of \$348,126. Proceeds of \$34,238,553 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the general obligation bonds. As a result, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2016, no defeased bonds are outstanding.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$14,175,259 and an unvoted debt margin of \$419,454.

**Note 11: Employee Benefits**

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. The Superintendent, Treasurer, 12 month administrators and 12 month classified employees earn vacation. Classified employees accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
After 6 months	1 Week
After 1 Year	2 Weeks
After 7 Years	3 Weeks
After 17 Years	4 Weeks

In addition to the vacation schedule above, classified employees having served the District continuously for more than 19 years shall be entitled to one additional day for each complete year served in the District in excess of 19 years.

Vacations for classified employees can be taken any time during the year. Employees may carry over a maximum of 10 days from one year to the next which they are required to take that year.

The Superintendent earns 20 days of vacation per year and is not required to take them that year. There is an option to exchange for cash up to 10 days per year of earned vacation time.

The Treasurer earns 20 days of vacation per year and is not permitted to carry over to the following year. Any days remaining must be used or may be paid per board policy.

The 12 month administrators earn 20 days of vacation per year and may carry over 10 days from one year to the next or may be paid for accrued vacation days per board policy.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 11: Employee Benefits (continued)**

**Vacation Pay:** All 12 month classified employees may choose to be paid for two weeks of vacation in lieu of time off at their rate of pay.

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

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

## **Note 12: Risk Management**

### **A. General Risk**

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$1,000,000 in the aggregate. Other liability insurance includes \$75,000 for the District Superintendent, \$50,000 for the District Treasurer, \$50,000 for the Director of Operations, \$25,000 for the Assistant Superintendent and \$20,000 for each board member of the Board of Education. Additionally the District has commercial crime coverage of \$10,000.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$135,543,444. Other property insurance includes \$2,175,000 not including musical instruments with \$100,000 equipment in transit, and \$100,000 unnamed locations related to electronic data processing hardware.

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

### **B. Workers' Compensation**

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 12: Risk Management (continued)

### C. Health Insurance

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

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

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

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$914,500 at June 30, 2016.

A summary of changes in self-insurance claims for the current and four preceding fiscal years follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ 1,071,200	\$ 7,019,210	\$ (7,175,910)	\$ 914,500
2015	1,014,900	6,731,997	(6,675,697)	1,071,200
2014	1,002,000	5,697,838	(5,684,938)	1,014,900
2013	1,092,700	5,774,677	(5,865,377)	1,002,000
2012	1,204,400	5,275,927	(5,387,627)	1,092,700

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 13: Pension Plans**

### **A. Net Pension Liability**

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

### **B. Plan Description - School Employees Retirement System (SERS)**

Plan Description – District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.



# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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**Note 13: Pension Plans (continued)**

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

Age and service requirements for retirement are as follows:

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The District’s contractually-required contribution to SERS was \$704,785 for fiscal year 2016. The District contributed 100 percent of the required contribution as of June 30, 2016.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 13: Defined Benefit Pension Plans (continued)**

### **C. Plan Description - State Teachers Retirement System (STRS)**

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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**Note 13: Defined Benefit Pension Plans (continued)**

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually-required contribution to STRS was \$2,039,085 for fiscal year 2016. Of this amount \$337,400 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of Net Pension Liability Prior Measurement Date	0.14263800%	0.13569891%	
Proportion of Net Pension Liability Current Measurement Date	0.14508730%	0.13411188%	
Change in Proportionate Share	0.00244930 %	-0.00158703%	
Proportionate Share of the Net Pension Liability	\$ 8,278,822	\$ 37,064,601	\$ 45,343,423
Pension Expense	\$ 545,481	\$ 1,512,187	\$ 2,057,668

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 13: Defined Benefit Pension Plans (continued)

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

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 133,304	\$ 1,689,678	\$ 1,822,982
Changes in Proportionate Share and difference between District contributions and proportionate share of contributions	64,862	-	64,862
District contributions subsequent to the measurement date	<u>704,785</u>	<u>2,039,085</u>	<u>2,743,870</u>
Total Deferred Outflows of Resources	\$ <u>902,951</u>	\$ <u>3,728,763</u>	\$ <u>4,631,714</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 274,304	\$ 2,665,645	\$ 2,939,949
Changes in Proportionate Share and difference between District contributions and proportionate share of contributions	<u>-</u>	<u>365,890</u>	<u>365,890</u>
Total Deferred Inflows of Resources	\$ <u>274,304</u>	\$ <u>3,031,535</u>	\$ <u>3,305,839</u>

\$2,743,870 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	(\$78,891)	(\$693,021)	(\$771,912)
2018	(78,891)	(693,021)	(771,912)
2019	(79,523)	(693,021)	(772,544)
2020	<u>161,167</u>	<u>737,206</u>	<u>898,373</u>
Total	<u>(\$76,138)</u>	<u>(\$1,341,857)</u>	<u>(\$1,417,995)</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 13: Defined Benefit Pension Plans (continued)

### E. Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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**Note 13: Defined Benefit Pension Plans (continued)**

**E. Actuarial Assumptions – SERS (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$11,479,751	\$8,278,822	\$5,583,376

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District’s net pension liability is expected to be significant.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 13: Defined Benefit Pension Plans (continued)

### F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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**Note 13: Defined Benefit Pension Plans (continued)**

**F. Actuarial Assumptions – STRS (continued)**

Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$51,485,527	\$37,064,601	\$24,869,558

**Note 14: Post-Employment Benefits**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other post-employment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.



## Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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### **Note 14: Post-Employment Benefits (continued)**

#### **A. School Employees Retirement System (continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$75,936.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$75,936, \$81,270, and \$78,568, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

#### **B. State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 \$-0-, \$-0-, and \$143,602 respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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**Note 15: Budgetary Basis of Accounting**

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

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) are presented for the General Fund on the budgetary basis to provide a relevant comparison of actual results with the budget.

The major differences between the budgetary basis and the GAAP basis are identified as follows:

- (a) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures/Expenses are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are treated as expenditures (budgetary basis) rather than a restricted, committed, or assigned fund balance (GAAP basis).
- (d) To reclassify the net change in fund balance for funds combined with the general fund for GASB 54. Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the termination benefits fund, the uniform school supplies fund, the public school support fund, and the underground storage tanks fund.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	<u>General</u>
GAAP basis	\$ 2,868,749
Net adjustment for revenue accruals	655,532
Net adjustment for expenditure accruals	(546,371)
Adjustment for encumbrances	(791,545)
Funds budgeted elsewhere	<u>(67,571)</u>
Budget basis	\$ <u>2,118,794</u>

**Note 16: Interfund Transactions**

**A. Interfund balances**

Interfund balances consisted of the following at June 30, 2016, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 563,970
Non-major Governmental Fund	Non-major Governmental Funds	<u>4,547</u>
		\$ <u>568,517</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## **Note 16: Interfund Transactions (continued)**

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2016 are reported on the Statement of Net Position.

### **B. Interfund transfers**

As of December 31, 2016, interfund transfers were as follows:

	<u>Transfers Out</u>
	<u>General</u>
Transfers In:	
Nonmajor Governmental	\$ <u>41,031</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## **Note 17: Contingencies**

### **A. Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2016.

### **B. Litigation**

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

### **C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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**Note 17: Contingencies (continued)**

**C. Foundation Funding (continued)**

As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**Note 18: Statutory Reserves**

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

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

	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2015	\$ -
Current year set-aside requirements	597,869
Qualifying disbursements	<u>(1,831,584)</u>
Total set-aside reserve balance as of June 30, 2016	<u>\$ (1,233,715)</u>

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2016

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## Note 19: Contractual Commitments and Other Significant Commitments Including Encumbrances

At June 30, 2016, the District had outstanding construction contracts that were encumbered are as follows. Other significant commitments include the encumbrances outstanding for the general fund and non-major funds other than capital projects as shown below.

	<u>Contractual Commitments &amp; Encumbrances</u>
<u>Building</u>	
District:	
Wojcik Builders, Inc.	\$ 103,480
Permanent Improvement Fund	<u>16,724</u>
Total Contractual Commitments	\$ <u>120,204</u>
	<u>Encumbrances</u>
General fund for other purpose	\$ 614,725
Non-major funds other than capital projects	<u>221,467</u>
Total Encumbrances	\$ <u>836,192</u>
Total Contractual Commitments and Encumbrances	\$ <u>956,396</u>

## Ashtabula Area City School District

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

### Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School district's proportion of the net pension liability	0.14508730%	0.14263800%	0.14263800%
School district's proportionate share of the net pension liability	\$ 8,278,822	\$ 7,218,828	\$ 8,482,224
School district's covered-employee payroll	\$ 3,941,929	\$ 4,592,921	\$ 4,631,561
School district's proportionate share of the net pension liability as a percentage of its covered-employee payroll	210.02%	157.17%	183.14%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

## Ashtabula Area City School District

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

### Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School district's proportion of the net pension liability	0.13411188%	0.13569891%	0.13569891%
School district's proportionate share of the net pension liability	\$ 37,064,601	\$ 33,006,671	\$ 39,317,331
School district's covered-employee payroll	\$ 13,578,550	\$ 13,472,914	\$ 14,519,138
School district's proportionate share of the net pension liability as a percentage of its covered-employee payroll	272.96%	244.99%	270.80%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

## Ashtabula Area City School District

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

### Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually-required contribution	\$ 704,785	\$ 519,546	\$ 636,579	\$ 641,008	\$ 646,700
Contributions in relation to the contractually-required contribution	<u>(704,785)</u>	<u>(519,546)</u>	<u>(636,579)</u>	<u>(641,008)</u>	<u>(646,700)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered-employee payroll	\$ 5,034,179	\$ 3,941,929	\$ 4,592,921	\$ 4,631,561	\$ 4,808,178
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually-required contribution	\$ 638,548	\$ 698,462	\$ 488,366	\$ 491,046	\$ 540,582
Contributions in relation to the contractually-required contribution	<u>(638,548)</u>	<u>(698,462)</u>	<u>(488,366)</u>	<u>(491,046)</u>	<u>(540,582)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered-employee payroll	\$ 5,079,936	\$ 5,158,508	\$ 4,963,069	\$ 5,000,468	\$ 5,061,629
Contributions as a percentage of covered-employee payroll	12.57%	13.54%	9.84%	9.82%	10.68%



## Ashtabula Area City School District

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

### Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually-required contribution	\$ 2,039,085	\$ 1,900,997	\$ 1,751,479	\$ 1,887,488	\$ 2,072,864
Contributions in relation to the contractually-required contribution	<u>(2,039,085)</u>	<u>(1,900,997)</u>	<u>(1,751,479)</u>	<u>(1,887,488)</u>	<u>(2,072,864)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered-employee payroll	\$ 14,564,893	\$ 13,578,550	\$ 13,472,914	\$ 14,519,138	\$ 15,945,108
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually-required contribution	\$ 2,291,453	\$ 2,338,797	\$ 2,368,513	\$ 2,413,299	\$ 2,540,161
Contributions in relation to the contractually-required contribution	<u>(2,291,453)</u>	<u>(2,338,797)</u>	<u>(2,368,513)</u>	<u>(2,413,299)</u>	<u>(2,540,161)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School district covered-employee payroll	\$ 17,626,562	\$ 17,990,746	\$ 18,219,329	\$ 18,563,836	\$ 19,539,700
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%

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**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	2016	\$577,042
National School Lunch Program	10.555	2016	1,671,916
Non-Cash Food Commodities	10.555	N/A	111,147
<b>Total Child Nutrition Cluster</b>			<b><u>2,360,105</u></b>
<b>Total U.S. Department of Agriculture</b>			<b><u>2,360,105</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I - Grants to Local Educational Agencies	84.010	2013 2015 2016	224 166,043 1,673,378
<b>Subtotal Title I - Grants to Local Educational Agencies</b>			<b><u>1,839,645</u></b>
<i>Special Education Cluster:</i>			
IDEA-B - Special Education Grants to State	84.027	2013 2015 2016	4,966 190,529 814,810
Special Education - Preschool Grants	84.173	2013 2016	124 21,214
<b>Subtotal - Special Education Cluster</b>			<b><u>1,031,643</u></b>
Title VI-B - Rural Education	84.358	2015 2016	3,001 53,902
<b>Subtotal - Title VI-B - Rural Education</b>			<b><u>56,903</u></b>
Title III - English Language Acquisition	84.365	2015 2016	889 33,130
<b>Subtotal - Title III, Language Acquisition</b>			<b><u>34,019</u></b>
Title II - A Improving Teacher Quality State Grants	84.367	2013 2015 2016	2,567 44,212 289,706
<b>Subtotal - Title II - A Improving Teacher Quality State Grants</b>			<b><u>336,485</u></b>
<b>Total - U.S. Department of Education</b>			<b><u>3,298,695</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$5,658,800</u></u></b>

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

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Ashtabula Area City School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

**NOTE E – MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Ashtabula Area City School District  
Ashtabula County  
2630 West 13<sup>th</sup> Street  
Ashtabula, Ohio 44004

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District, Ashtabula County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2017.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 20, 2017



# Dave Yost • Auditor of State

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

Ashtabula Area City School District  
Ashtabula County  
2630 West 13<sup>th</sup> Street  
Ashtabula, Ohio 44004

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Ashtabula Area City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Ashtabula Area City School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Ashtabula Area City School District, Ashtabula County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 20, 2017



**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title II-A CFDA# 84.367; and Special Education Cluster CFDA# 84.027 & 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

ASHTABULA AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 30, 2017